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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2065



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RESEARCH AIMS TO IMPROVE CAPACITY OF ATOMIC POWER STATION

Sofia VECHEPNI NOVINI in Bulgarian 27 Sep 80 p 4

[Article by Ani Sargavakyan: "The Contribution of Scientists to the Development of Nuclear Power Engineering"]

[Text] Just a week ago an announcement was made of the start of the hot test of the third power unit at the Kozloduy AETs [Atomic Power Plant]. The hot test differs from the true starting up of the reactor in that simulating rods are used in the reactor in the place of nuclear fuel rods. Not much time will pass and this unit will also be operating at full steam. Up to now over 27 billion kilowatt-hours of power from nuclear fuel have been sent from the Kozloduy AETs to the entire nation. And one more fact. The AETs in a year produces 20 fold more electric power than the entire nation produced in 1944.

From Prof Vasil Khristov, sector director of the Institute for Nuclear Research and Nuclear Power [IYAIYaE] under the Bulgarian Academy of Sciences in Sofia, we learned that the IYAIYaE is operating under long-range cooperation programs with the Ministry of Power. Valuable research and applied scientific developments have been introduced under a number of programs. These include: for optimum reloading of the nuclear fuel and analysis of the operating modes, for methods and equipment for deactivating the nuclear wastes and protecting the environment, and so forth. During the Seventh Five-Year Plan an economic effect of over 2 million leva is expected from the fulfillment of this work. Of great importance in this regard is the bilateral cooperation with Soviet institutes, as well as the participation of our specialists in the joint research on the reactor system as part of the temporary international collective for reactor physical research in Budapest.

"The third stage in the development of the AETs envisages the completion of two other reactors (the fifth and sixth), Soviet produced, with increased capacity," said Comrade Vasil Khristov. "A new thing for them is that they will be some of the first 1000-megawatt reactors in the socialist commonwealth countries. A 1000 megawatt unit represents a stage in the technical development and improvement of the nuclear plants."

To the question of what is the involvement of the IYAIYaE in the scientific contribution to the engineering plans for the Kozloduy AETs for the Eighth Five-Year Plan, Prof Khristov replied:

"Specialists from the institute, together with the leadership of the AETs, have set out the main areas for the applied scientific and introductory work. These include: scientific feasibility studies for the operating modes of the AETs at rated and above-rated capacity; the elaboration and introduction of new methods and equipment for internal reactor control; the processing and storage of radioactive waste products and the protection of the environment. In the near future the specific tasks will be set for work in the designated areas. The development activities envisage the solution to problems important for operation, including also the automation of certain assemblies for the systems of the AETs. This represents an important element in the intellectualization of production activities. An initiative of our collective is the taking on of an additional promise in honor of the 12th BCP Congress to carry out new development tasks with a significant economic effect. We believe that by this our institute will do its share for the development of scientific and technical progress in Bulgaria during the Eighth Five-Year Plan."

10272

CSO: 2200

PLANS TO INCREASE CONSUMER GOODS PRODUCTION

Sofia POLITICHESKA AGITATSIYA in Bulgarian No 18, 1980 pp 18-24

[Article by Lilyana Vasileva, first deputy minister of light industry:
"Increasing Market Variety as an Element of the Party's Social Program"]

[Text] Our party has always paid great attention to light industry as an area of tremendous economic, social and political significance, for it resolves the urgent problems related to the better satisfaction of human needs. This concern was manifested, yet once again, at the Ruse meeting between the BCP Central Committee Secretariat and the first secretaries of okrug party committees and ministries. The formulations expressed by Comrade Todor Zhivkov in his presentation, which were remarkable in terms of their depth and far-sightedness, represent an effective program for a change in this area and for decisively increasing the volume and expanding the variety of consumer goods.

What is the most essential aspect in the current stage of development of light industry?

Thanks to the major investments made in the Sixth and Seventh Five-Year Plan the basic active productive capital was increased and renovated. New highly productive equipment was introduced and new effective technologies were applied. On a parallel basis the raw material base was modernized as well. Added to the traditions of the sector and cadre experience, this provided a solid prerequisite for insuring an adequate number of goods in terms of quantity, quality and variety both for the satisfaction of domestic needs and for export. This was also confirmed by the fact that in recent years the market has been quantitatively saturated with goods produced by the light industry system and the elimination of the durable excess demand over supply. Today goods are available on the market. However, in terms of variety, assortment, quality and colors they are largely unsatisfactory because of higher consumer criteria.

Consequently, the main criterion today in assessing the work of labor collectives within the light industry system is the increased amount of varied and high quality goods on the market. However, at this stage as well the basic effectiveness requirements remain valid. It is a question of the purposeful and systematic reduction of the socially necessary working time for the production of a unit of output. The task of reducing production costs and

increasing profitability will remain the purpose and content of the work of economic, party and trade union managements and labor collectives. These stipulations were reasserted, yet once again, at the July 1980 BCP Central Committee Plenum.

The final and decisive year of the Seventh Five-Year Plan, 1980, is shaping up as effective and useful. Light industry will produce 33.5 million meters of cotton fabrics, 36 million meters of woolen fabrics, 111.5 million pieces of knitted goods, 21 million pairs of shoes, 62.5 million pairs of hose, 39 million pieces of household porcelain ware, and 26.7 million pieces of household glassware. Some progress has been made in the production of furnishings as well.

There will be a considerable increase in the production of fashionable and luxury goods. In individual commodity groups they will account for 30 to 50 percent of the entire output.

Quality changes have been made in the material and technical base as well. Technological standards have been upgraded and a substantial amount of productive capital has been modernized and renovated. New and modern equipment has been installed. The share of goods produced with the help of the new technological systems has risen considerably. Facilities for spindleless weaving has been introduced in the cotton industry. Shorter technological processes have been applied in worsted weaving and shuttleless looms have been installed. In 1979 the fabrics produced with such machines totaled 37 percent of the entire output of the cotton textile industry, 57 percent of the woolen textiles and 50 percent of silk textiles. The material and technical facilities in the knitwear industry have been updated with new multiple-system round-weaving machines, linear automatic machines, and electronic equipment. Nonconventional technologies such as those producing unwoven textiles have developed rapidly.

Positive changes have taken place in the development of the domestic raw material base. In 1979 the share of domestically produced chemical raw materials reached 55 percent.

Considering the new higher requirements, all this proved to be insufficient. The steady growth and rising of requirements, the positive changes in the way of life and standards, so greatly characteristic of recent years, and the increased purchasing power of the population are leading to the formulation of new and even higher claims concerning the production of and trade in commodities and services. In his programmatic presentation at the Ruse meeting Comrade Todor Zhivkov brilliantly depicted the solution of the new problems dictated by socioeconomic progress.

The managements and specialists within the light industry system are currently focusing their efforts on the fulfillment of these important and responsible assignments. The problem of commodity stocks and population services is strategic. It affects the interests of millions of people in our country. That is why, within a short time substantial changes must be made in our overall work in order to saturate the market with adequate amounts of consumer goods. Each economic organization and collective must address itself

to the solution of this problem. To this effect, in 1980 and throughout the next five-year plan investments in the sector will be concentrated on the reconstruction and modernization of existing production capacities. The new machines and equipment which will be added to the production facilities will expand the variety of new goods.

Following the Ruse meeting, all collectives reviewed their possibilities for the additional use of capacities, full utilization of cadres, raw materials and materials, additional production of consumer goods, and implementation of the new responsible assignments. Currently our efforts are focused in several directions, as follows:

Market-Plan-Production

In a way, the stricter requirements concerning the quality and variety of goods were given priority in determining the results and effectiveness of light industry. The consumer value of the goods produced by the labor collectives within the light industry system could be considered the sum total of their useful characteristics which determine their role in the course of the consumption process. Their quality is defined as the level of consumer value manifested in its most direct manner, in the course of the consumption process itself.

That is why the first and basic task is for the production process to meet the requirements of the market. We must produce goods in demand, saleable goods, confirmed through contracts dealing not only with quantity but variety, quality and functional purpose.

All this called for the introduction of substantial changes in several directions: in the contracting system, in the role of the contracting parties in the implementation of contractual relations, in contractual deadlines based on the influence of seasons and fashions, the systematic decentralization of planning and management, and the increase of the rights and responsibilities of economic combines and plants.

This also includes the question of finding the most accurate method through which the conclusion of contracts would outstrip the drafting of engineering blueprints and counterplans. A possible variant here would be the conclusion of annual contracts with subsequent breakdown of specifications in terms of models, sizes, designs, colors, seasons, and so on. At the same time, conditions must be created for the continuing and systematic contracting for some goods most closely related to the dynamics of fashion and fashion trends.

Considerable experience was acquired in this respect in 1979-1980. A number of specific changes have become necessary in the implementation of the tasks set at the Ruse conference and the July 1980 BCP Central Committee Plenum. The fuller utilization of existing opportunities must be insured jointly with the leadership of the Ministry of Internal Trade and Public Services and the wholesale and retail trade organizations.

Systematic Study of Market Conditions and Consumer Demand

Consumer or solvent demand is a type of manifestation of requirements backed by financial funds. The existence of information on the potential, the developing or the current demand for light industry goods is of particular importance today to the proper direction of the production process. It is a question of the study of long term requirements through the analysis of international markets and domestic market trends with a view to preparing and insuring possibilities for the reproduction or design of new goods and of finding them a place in the domestic or foreign market. This is one of the means for decisively improving the variety and assortment of goods. A specific need is satisfied by the manufacturing of dozens of goods with specific functional purposes. The second question of tremendous practical importance is that of the study of already established, current, and essential needs of the market and of introducing daily changes in supplying retail stores with goods in demand in its various sizes, dimensions, colors, designs, and so on. The meeting of such consumer demand requires substantial changes in the organization of retail trade and in relations with producers in order to shorten the way of the commodity from the producer to the store and the consumer. This problem will be resolved through the development of direct contractual relations between the production process and retail trade; the existence of developed retail trade outlets by the producers; and improvements of relations between the producer and wholesale and retail trade.

In no case should the trade outlets of producers replace either retail or wholesale trade. The trade system consists of 45 stores and 19 stands of the Rila, Pirin and Trikotazh firm trade directorates and the general stores of the TsNSM and the monopolizing of some functions in the course of this process by various organs and organizations.

Critical remarks and adverse trends forced us to assess the work of the artistic council and of the units involved in this area within the ministry's system, including experimental-variety bases, modeling units, and collectives of designers, draftsmen and painters. In the Sixth and Seventh Five-Year Plans the creative cadres achieved considerable successes. However, they fall short of the requirements of the BCP Central Committee. In this direction new ideas were formulated at the plenum on design held by the Union of Bulgarian Painters. It is clear that design is an inseparable part of the overall creation of items and that the place of the designer is neither at the end or the beginning but at all stages of the creative development of a new item by technologists, by designers, modeling workers, artists, and producers. Each of these groups faces unresolved problems in its work and in its desire to achieve effectiveness, and esthetic appearance, variety, or high quality, problems which will become the center of our attention in the next few months. Their solution will be our contribution to the creative interpretation of the new economic approach. It is a question of the organization of labor and of the system for paying the creative cadres; of criteria in the assessment of the end product; cost accounting, self-financing and material and moral incentives based on the end results of the entire labor collective; and of information support and the creation of conditions for the individual creative manifestation and establishment of the plant's trademark.

No less important problems arise in connection with the ability of the organization and management of the system to insure fast and timely reaction on the part of the producer to market dynamics. The end goal in this respect is to reach the type of organization and management in which, under our socialist conditions, fashion will gradually become a controllable process. The quick and adequate combining of fashion trends with the full loading of production capacities and the utilization of available raw and other materials is a rather complex problem.

Cadre Training Consistent With the New Requirements for More and More Varied Goods

The light industry system employs 214,000 workers and specialists. Of these 72 percent are women and 78,000 are Komsomol members. Future cadres for the sector are being trained by all higher educational institutions in the country and by 44 technical and secondary vocational schools. Under the people's system the sector trains educated and highly skilled cadres and develops strong and active labor collectives.

Comrade Todor Zhivkov's statement made at the Ruse meeting fully applies to the light industry: "In terms of our scale, we have a large material and technical base with an expanded scientific and technical potential whose possibilities are unquestionable.... Both management and performing cadres engaged in the production of and trade in goods and services have developed and acquired rich experience."

We already know that the Eighth Five-Year Plan will be a five-year plan of scientific and technical progress, a five-year plan of labor intellectualization. These requirements direct us toward changing not only cadre training but the nature and conditions of labor. The main direction in the field of light industry will be production intellectualization through which we shall continue the line of firmly upgrading labor productivity and increasing the variety of goods.

For a number of years our attention was focused on the development of mechanization. Today production automation has priority.

Intellectualization calls for the modeling of machines which will not only replace human physical efforts but will duplicate man's intellectual activities. Processes which truly contain a high percentage of intellectualization and machines replacing human labor must be introduced in the interrelationship between man and machine and man and technology.

In the Eighth Five-Year Plan automated control systems of technological processes will be introduced in the light industry which is, essentially, one step toward intellectualization. Various electronic appliances for controlling, recording, and managing processes will not only save on labor but will considerably upgrade production effectiveness. In this way intellectualization will work in several directions: reduce the amount of live labor, increase labor productivity severalfold, and sharply upgrade production quality.

Leading production experience is an important reserve in upgrading labor effectiveness. We have adopted an overall scientific system for its study, dissemination and creative application, based on the summarized experience of 20,000 workers in 60 different areas.

As a progressive form of collective labor, the brigade organization of labor is becoming ever more widespread. Its application enables us not only to reduce the amount of manpower but to improve the income of the individual workers.

So far 4,000 brigades have been set up involving over 60 percent of the workers in the sector. One of our main tasks is the further improvement of the brigade organization of labor combined with intracost accounting.

The light industry sectors have their proven leaders, modeling workers, designers, technologists, artists, labor heroes, leading production workers, and multiple machine operators. This is our golden stock and wealth. The development of its creative initiative will lead to a greater number and variety, and better quality goods and services for the population.

5003

CSO: 2200

NEW PRICING SYSTEM, FUTURE PRICE INCREASES EXPLAINED

Prague MODERNI RIZENI in Czech No 9, 1980 pp 38-43

[Article by Engr Vaclav Janacek, Federal Price Office: "Improving New Pricing System in Planned Management System of National Economy after 1980"]

[Text] At the statewide work conference on the Set of Measures, CSSR Premier L. Strougal stated that "the effect of adopted measures designed to improve the system of management depends to a considerable degree on the correct working of the pricing system."

The tasks listed in the Set of Measures for improving the pricing system (system of wholesale prices, improvement of methods and tools of management of price trend in the area of planning, price-setting and price control) aim at the solution of basic monetary problems of further development of our economy and in this respect should contribute also to increasing efficiency of other areas of the management system. Moreover, they emphasize the incentive role of price as the basic criterion of the reproduction process. In combination with other tools of management, they should create more demanding conditions for economic activity and decisionmaking in economic matters at all levels of management during the Seventh Five-Year Plan.

Purpose of Pricing According to the Set of Measures

Further improvement of the planned management system of the national economy concentrates on achieving substantial progress in increasing the effectiveness and efficiency of the economy, mobilization of our export potential and more intensive participation in international division of labor.

Calculation of economic advantages of planned measures and their implementation must become an integral part of decisionmaking process at all levels of management and in all areas. This lays down certain fundamental requirements for prices which must:

a. become a more accurate and stricter criterion of measuring the efficiency of social labor expended. This requirement can be met particularly by:

--more flexible adjustment of the price level and price relations to the development of domestic and external economic conditions of the national economy;

--objectification of domestic prices of products by the application of criteria ensuing from international division of labor;

b. promote economy in production, development of products with high technical standards and quality, and also effective changes in the production programs by:

--applying the price and cost limits also to the newly developed products and production technologies;

--enforcing such methods of price-setting which will determine the proper price level and correct relations between the prices of new products from their social useful value;

--broader use and increased effectiveness of price incentives;

c. effectively prevent economic organizations from "complying" with the qualitative indicators by means of prices and contribute to the observance of state economic discipline.

Planned Measures for Improving of Pricing System

1. More Realistic Evaluation of Material Inputs

The basic price measure planned for the Seventh Five-Year Plan which will provide appropriate economic criteria, corresponding to the economic conditions of economic development in the forthcoming period, is the increase in the wholesale prices of fuels, energy and some raw materials, and its projection into the prices of products in the technologically interrelated stages. This will be reflected in the anticipated increase in the purchase cost of imported and domestic resources during the period of the Seventh Five-Year Plan. This measure will be implemented in such a manner that the prices will not only reflect the trend in the socially necessary costs, but also exert effective pressure for economy and most effective use of fuels and energy, and raw and industrial materials in the processing industry.

In connection with the comprehensive revision of wholesale prices on 1 January 1977, which resulted in the average 52 percent increase in the prices of a basic set of raw materials, and partial increase in the wholesale prices of certain types of fuels and energy on 1 January 1979 (heating oils and coal for power plants by 7 percent, electric and heat energy by 3 percent), the level of wholesale prices of fuels and energy will be raised on the average by 49 percent during the Seventh Five-Year Plan (in comparison with the 1978 prices).

This increase will be effected in two ways:

a. during the 1980-1985 period, the wholesale prices of all domestic and imported fuels and energy (coal for power plants and coking coal, coke, heating oils, natural gas and gas for lighting, electric and heat energy) will increase 2 percent every year. As in 1979, the effect of this increase on the users will not in principle be reflected either in the prices of their products or the planned value indicators (cost, profit). This price measure will thus--together with other tools of management--exert economic pressure on the users and impel them

to the gradual reduction of standard consumption of fuels and energy, their more economical use or to offsetting of price increases by economizing in other areas. As a result, there will be by 1985 a general increase in the wholesale prices of solid and liquid fuels by 19 percent, of electric and heat energy by 15 percent, of gaseous fuels by 12 percent (in comparison with 1978), while some rates of railroad freight transportation will increase in 1981;

b. moreover, simultaneously with the above measure, there will be on 1 January 1981 a single, nonrecurring increase in the wholesale prices of all imported and domestic fuels, energy and some raw materials (for example iron, manganese and chromium ores, molybdenum and tungsten concentrates, zinc, tin, lead, aluminum oxide, crude oil and products refined from it, and ammonia). This increase in the wholesale prices (together with the increase in the wholesale prices of other raw materials such as natural rubber, hides, fibrous asbestos, fluorite, but also of other so-called imports and rates of freight railroad and river transportation) will, as of 1 January 1982, be reflected in the wholesale prices of ferrous, non-ferrous and engineering metallurgy, secondary metallurgical production, building materials as well as in other sectors (groups) consuming considerable amounts of raw materials and energy. This one-time increase in the wholesale prices of fuels, energy and raw materials will exceed 30 percent.

In addition, the wholesale prices of precious metals (gold, silver, platinum, palladium, rhodium, and indium) are being increased by 171 percent on the average in 1980 and this increase will be reflected in the interrelated groups of products. On the other hand, the wholesale prices of synthetic fibers are reduced by 13.5 percent on the average which will be reflected in the prices of products of textile and garment industries. The consequences of these price changes will be reflected in the respective sections of the national economic plan.

All production sectors which consume them must participate in offsetting this substantial increase in the prices of materials. Moreover, the effect of these changes must be increasingly compensated for by the higher prices of our products exported to foreign countries (improvement of exchange relations, reduction of the cost of earning hard currency, and stabilization of rates of exchange), and every production sector must continue to explore the possibilities of mitigating the impact of these changes on the domestic prices by reducing its excessive profit and planned costs. Only with such a procedure can the increase in the general level of wholesale prices be reduced to 8 to 9 percent, though with a varying price trend in individual sectors, branches and groups of products.

This one-time revision will affect the wholesale prices of approximately two-thirds of the products of the national economy. At this point, the new price lists have been completed for approximately one-third of the products for which the prices change. The organizations, price coordinators and central agencies must pay extraordinary attention to the price lists which still have to be published. Not only that, the substantial increase in the wholesale prices will change the views on what is or will be profitable for our economy. For this reason, the economic organizations should take into account these changes when determining the value criteria (regardless of their gradual application) already in the preparation of plan estimates for 1981 and the Seventh Five-Year Plan. It is necessary also to prepare without delay the pertinent technical and organizational measures for rationalization of consumption and for the more

efficient utilization of fuels, energy and raw materials. Ability or inability of the economic organizations in this respect will be reflected in the economic results, value added and other qualitative indicators. By its consequences (according to the Set of Measures), it will more directly affect the economic development of organizations and will be more markedly reflected also in the monetary incentives for the managerial personnel and work collectives.

For the same reasons, the organizations must pay attention to the planned revisions of central price regulations of imports: these regulations cover 55 percent of the total import volume at the present time. Although these regulations will remain essentially unchanged in the future, the number of items with regulated prices will be limited to those which are most important from the standpoint of the national economy (at the same time, the rates of the actual price equalization will be made more flexible). The domestic users will thus buy imported products for manufacturing consumption at the fluctuating purchase prices on a larger scale.

2. Application of Criteria of International Division of Labor in Evaluation of Production Process Outputs

Apart from consistent economy in consumption of increasingly more expensive and less accessible imported and domestic raw materials, the principal way to mitigate the effect of the increase in their world prices is the most effective use of raw materials for manufacture of products with high technical standards and quality. We cannot waste raw materials for manufacture of sub-standard or standard products, and the goal of innovations must be to produce competitive, top quality products. Only then can we anticipate their economically successful sale on the foreign markets.

A more substantial change in this respect can be achieved only, if production will take into account not only the technical requirements of world markets (technical standards, quality, design and assortment), but also the economic parameters, that is the price attained.

Commenting on this matter at the nationwide work conference mentioned above, CSSR Premier L. Strougal stated: "Though it cannot be carried out at once, the transition to world prices is an economic and political necessity. Only thus can conditions, criteria and motivation be created for management on the level of prominent producers both in the socialist countries and the rest of the world."

The higher adaptability of our economic organizations to the changing value criteria abroad will be achieved not only by the material inputs. It is imperative to adopt more consistently than in the past also the criteria used on the demanding foreign markets for measuring costs and social utility of outputs, and thus to control the technical, technological and economic development in our enterprises.

The approved Set of Measures assumes that closer links between the foreign and domestic prices will be established in all areas of the pricing system. The solutions of these problems and their incorporation into the implementation procedures will be gradual and extraordinarily demanding. This will apply in the first place to the sectors exporting a major part of their production (including the

respective subsidiary sectors), to the area of price limits and price incentives, and gradually also to price-setting and price revisions. The point is that the evaluation of innovations at wholesale prices must match their evaluation on the demanding foreign markets and that the differential export indicator must not deteriorate. In principle, we must strive to have the varying profitability of products at wholesale prices be bilaterally commensurate to their profitability in external economic relations. A basic precondition for the effective solution of these problems is the implementation of respective measures in the financial, economic and currency area.

3. Improvement of the Pricing System, Price Incentives and Price Control

Further progress must be achieved in setting the prices of new products. The emphasis must be placed on working out methods and ways which will direct innovations to the high social utility value of products. The best implementation of such an approach will be the application of parametric and normative criteria in the introduction of comprehensive and group prices in additional areas. To achieve this objective, agreement must be reached with individual ministries on bringing up-to-date the obligatory methods of price-setting. In this context it is assumed that by these up-to-date methods of price-setting the price system as a whole will be made more realistic.

The point of departure for the improvement of pricing of new products is the wider application of price and cost limits which ensure a consistent application of economic criteria as early as in the research stage and throughout development of products.

Further improvement is necessary also in the area of price incentives, whose rules were amended in 1978 on the basis of experience gained in the implementation of the Comprehensive Experiment, in the following respects:

--reciprocity must be achieved in price incentives because the increase in the funds resulting from preferential pricing has not corresponded to the trend in penalty price reduction in recent years.

	1978 (Million Kcs)	1979	1979/1978 Index (%)
Preferential pricing	1,312.1	2,126.9	162.1
Penal price reduction	216.5	260.6	120.4

This will call for new measures in the area of both preferential pricing and penalty price reduction, evaluation of products and pecuniary incentives. They must aim at:

--a more detailed elaboration of reasons for the preferential pricing of technically progressive and high quality products. Prices incentives based on the effectiveness of exports must be objectified and differentiated in both directions. In special cases, efficiency of exports can be used as an independent criterion for price incentives;

--a more thorough evaluation of products by testing laboratories of individual ministries, increased capacities and revised, more up-to-date rules of evaluation of technical progressiveness by the central agencies directing technical policy;

--application of surcharges on and reduction of base prices instead of preferential pricing and penalty price reductions, respectively;

--essentially not changing either the maximum scope or principles of interlinking price incentives with the incentive system and methodology of planning.

Price control will be intensified in the following respects: more emphasis will be laid on its prevention; it will concentrate on the main provisions of price measures and particularly on capital investment; control actions will be better coordinated particularly in regard to VBJ (economic production units); additional levies and sanctions will be more strictly enforced.

4. Improvement of Methods and Tools in Revising Wholesale Prices

In connection with the implementation of price revisions in the first half of the Seventh Five-Year Plan, material problems of the Seventh Five-Year Plan and methodological and organizational conditions created in accordance with the Set of Measures in other areas of management, a concept will be worked out for rationalization of the price system after 1982. If the unfavorable trend in the exchange relations in our foreign trade continues, it will be necessary to revise and bring up-to-date the wholesale prices of additional raw materials during the second half of the Seventh Five-Year Plan and to make preparations for the rationalization of wholesale prices of raw materials for the Eighth Five-Year Plan. Moreover, the price revisions in the processing industries will promote a speedy application of scientific and technical achievements, increased output in new production capacities in accordance with the state target programs, and more accurate reflection of production profitability in wholesale prices.

Together with the improvement of long-term plans of development of prices approved by the government, a system of operational changes in wholesale prices will be verified. Obviously this will be necessitated by the need for more flexible changes based on the relative profitability of products in combination with the value added indicator.

The implementation of the above improvement of the price system is closely related to the creation of necessary preconditions in other areas of management. This primarily applies to the introduction of the systems forecasting of trends in the foreign prices of imports and exports; planning of costs by sectors; improvement of norm-setting, records, calculations, and evaluations of products; wider use of typification and standardization; following up of actual prices in relation both to the planned price revisions and price changes not anticipated by the long-term plan; elaboration of simpler methods of projecting the differences produced by the price changes into the indicators of the national economic plan, and so on.

It is clear that precisely the prices are one of those areas in which the implementation of tasks listed in the Set of Measures should cast more light on the results achieved by the enterprises as well as on the standard of their management. As pointed out by G. Husak, general secretary of the CPCZ Central Committee, in his concluding statement at the 15th Plenary Session of the CPCZ Central Committee: "...the enforcement of these criteria will not always be popular and easy, but the interests of the society require that we do not moderate them."

DOMESTIC FLIGHT PRICE INCREASE ANNOUNCED, EXPLAINED

AU201313 Prague RUDE PRAVO in Czech 17 Oct 80 p 2

["18"-signed report: "Part of the Rationalization of Transportation; On the Adjustment of Tariffs for Domestic Air-Routes"]

[Text] Prague, 16 Oct--At a press conference held in the office of the CSSR Government Presidium Building representatives of the Ministry of Transportation reported on the adjustment of tariffs for domestic air transportation. The new prices go into effect simultaneously with the introduction of the winter flight schedule on 1 November 1980.

The average price increase is, in comparison with the previous tariffs, 100 percent. It is lower for flights to more remote places. An air ticket from Prague to Bratislava, for instance, will cost KCS360 and from Prague to Kosice KCS480. The reduced tariffs for flights on Saturdays, Sundays and holidays are being abolished. The reduction of the price of air tickets for those traveling to Spas will remain in force and will amount to 20-30 percent. Flights from Prague to Gottwaldov, Piestany, Zilina, Brno and flights on some other routes will be limited. More detailed information will be given by the Czechoslovak airlines offices.

The last adjustment of prices of air tickets for domestic transportation was carried out in 1969. The operational costs of air traffic have increased significantly in the 11 years since then. The purchasing cost of the new types of airplanes that were introduced within the framework of the renewal of the Czechoslovak airlines' aircraft pool is almost 3 times higher than that of, let us say, the Ilyushin 18. The cost of air fuel has increased 110 percent since 1969 and it is anticipated that it will continue to grow. The sum of all these factors has been causing a considerable loss in the operation of domestic routes since 1975. Last year the loss amounted to KCS182.5 million.

In 1979 the subsidy for air tickets amounted, for instance on the Prague-Zilina route, to KCS583 per seat (the previous cost of the ticket was KCS210); on the Prague-Uherske Hradiste route to KCS285 (KCS150) and on the Prague-Bratislava route to KCS257 (180). A comparison of air traffic with other forms of transportation illustrates its high demands on fuel consumption. To transport a single person 1,000 kilometers by plane an average of 151 kilograms of standard fuel are needed. For bus transportation the figure is 16 and for electrified railroad transportation only 5.

The above comparisons show conclusively which forms of transportation must be given priority in the interest of the overall rationalization of transportation. Other countries, too, are dealing responsibly with this situation. The losses accrued from domestic air transportation in Hungary and in the GDR led to its complete discontinuation. The adjustment of the tariffs and the limitation of air traffic affects the traveling public only to a negligible extent. So far almost 95 percent of air tickets have been used for official business.

More extensive use of other means of transportation offers compensation for the limited operation of domestic air routes. The completion of the entire expressway section from Prague to Brno, which will officially be put into operation on 8 November, will improve and speed up road transportation to Brno. Special bus routes using modern and especially equipped buses have been prepared that will make up for the limited air traffic in that direction. They will be linked to supplementary routes.

Railroad traffic entails greater difficulties. Express trains arrive with considerable delays and are fully booked. That applies, above all, to the routes across the republic--to the Kosican, Vihorlat and Moravan express trains. The transportation section will have to seriously consider these issues, to ensure that the complex of rational public transportation offers good services.

CSO: 2020

CZECHOSLOVAKIA

BRIEFS

PRAGUE-HAVANA NONSTOP FLIGHTS--As announced by a Czechoslovak Airlines representative at a press conference held in Havana, Cuba, the Czechoslovak Airlines will commence nonstop flights between Prague and Havana beginning 1 November 1980. The new route flown by Soviet-made IL-62 airplane will take only 10 hours, compared with the old route via Montreal which takes 12 hours. [Prague MLADA FRONTA in Czech 25 Oct 80 p 5]

CSO: 2400

TRANSPORTATION SYSTEM GOALS FOR 1981-85 PLAN OUTLINED

East Berlin DDR-VERKEHR in German Vol 13 No 9, Sep 80 pp 292-295, 298

[Article by Dr Wolfram Paetzold; Heinz Glaesser, geographer; and Udo Seidel; all with Planning Department, GDR Ministry for Transportation: "Results of the Conceptional Work in the Transportation System--Important Prerequisite for the Formulation of the 1981-85 Five-Year Plan." Words and passages in slantlines printed in boldface]

[Text] 1. The Long-Term Conceptional Work of the Transportation System--Objective Requirement in the Development of the Advanced Socialist Society in the GDR

In regard to the further organization of the developed socialist society in the GDR, it is absolutely necessary further to develop the long-term economic planning in preparation for the five-year plans. The standards, the rate of development, the growing interdependence of all sectors of society and the qualitative changes necessitate decisions that over extended periods must be the government's economic policy guideline and thus the basic strategic principle for several five-year plans. This is all the more necessary, since the progressing socialist economic integration of the CEMA member states' national economies on the basis of objectively operative laws calls for agreements on the problems to be solved--agreements that will extend over a period of 10 to 15 and more years. The joint construction and operation of the "Friendship" natural gas pipeline which assures for decades the European CEMA countries' supply of natural gas is an impressive example of long-term plan decisions.

Only through long-term agreements will it be possible to insure a steady supply of raw materials and energy for the CEMA countries. To safeguard accomplishment of such strategic tasks, long-term plans concerning the necessary funds and expenditures have priority.

It goes without saying that this also requires a--correspondingly long-term--development of the CEMA states' transportation systems and capacities. Thus the integration of the work required for expanding the international links in the long-term conceptional work of the transportation

sector has absolute priority. In this regard, the primary objectives are the expansion of the transit routes and railroad border-crossing points, the expansion of the international road network and the further development of the sea routes and inland waterways and of the air traffic routes. To safeguard international transportation up to 1990, the CEMA countries developed and adopted the target program for the development of the international transport routes.

The SED Program adopted in 1976 at the Ninth Party Congress contains the basic guidelines for the long-term development of the GDR transportation system. The program enjoins the transportation system to meet--by means of socialist intensification and increased efficiency--the economically necessary needs of the population and of the national economy in regard to passenger traffic and freight transport, systematically to carry out the tasks regarding socialist state security and those resulting from the socialist economic integration with the fraternal countries.

In regard to the formulation and specification of the long-term conceptions concerning the transportation system, the following long-term programs, which were adopted by the state and party leadership, represent important starting points:

- Program for safeguarding the supply of energy and raw materials for the national economy;
- housing construction program as the cornerstone of the long-term socio-political program;
- program for the development of the GDR capital, Berlin;
- plan concerning the geographic distribution of the productive forces, including development of the settlement structure and urban development;
- plan concerning the development of science and technology.

In addition, the long-term conceptions of the transportation system must take into account other important economic decisions, e.g. decisions concerning the expansion of the bezirk [GDR administrative unit] towns, the development of the construction sector, the further development of the combines in the national economy, and the development of microelectronics.

Significant long-term decisions were taken in regard to the transportation system itself, e.g. in regard to rationalization of the DR [GDR railroad], the expansion of maritime transport and harbor management, the development of the transport links between the GDR and the CEMA countries and of the links with the FRG. Finally, the long-term work of the transportation sector must draw on forecasts concerning population trends and transport needs and on scientific studies and plans concerning the development of technologies.

2. Function, Objectives and Points of Main Emphasis of the Conceptional Work in the Transportation System

The planning of the GDR transportation system is based on the objectively operative economic laws of the developing socialist society. The planning system comprises the objectives for the transportation sector as a whole and for the individual combines, enterprises and work collectives. Only in this way can the planning meet the requirements concerning the development of socialist democracy. In accordance with their function, a distinction is made between short-, medium- and long-term plan objectives. As a rule, the planning of transport work proper is done on a short-term basis, whereas the establishment of the material prerequisites for transport work calls for longer time spans and thus is the subject of long-term planning. The training and distribution of the workers--a prerequisite for their employment--likewise necessitates long-term planning.

In the transportation sector in particular, long-term planning is essential due to the longevity of the transport routes and buildings and the wide territorial range of the transportation networks with the resultant serious effects in regard to the sites of social production and the residential settlements. However, the procurement and employment of means of transportation also call for long-term developmental planning. The reproduction--in terms of volume and structure--of the large motor-vehicle fleets and rolling stock is another primary concern of long-term transportation planning.

For this reason, the long-term conceptions regarding the development of the transportation capacities over a period of 15 to 20 years are of great importance. The elaboration and formulation of the objectives of the five-year plans and annual plans is carried out on the basis of these long-term conceptions, which have helped to insure steady improvements in transportation efficiency and effectiveness.

In 1978, the "Conception for the Development of the Transport System"--a document that is of great importance in regard to the preparatory work for the 1981/85 five-year plan and that forms the foundation for long-term plans--was drawn up in the Ministry for Transportation (MfV). In contrast to the five-year plans, this conception is meant to provide general guidance, with decisions to be made for certain circumscribed problems. Of crucial importance is the determination of the course to be pursued in regard to the changes to be made, especially in regard to the qualitative improvement of certain aspects of the transportation process and the order of priority of the measures to be taken. Another important task of the long-term conceptional work is to show variants and alternative solutions and at the right moment to submit them to the decision-making organs. Identification of the right moment for a decision is of great importance. Thus, in connection with the construction of a new residential district in Northeast Berlin--which is scheduled to begin after 1985--the decision regarding the link-up to the capital's existing transportation network was made in 1979, which left sufficient time for preparatory work.

Decisions concerning the introduction of new technologies and means of transportation are likewise of great moment. Their consequences--over the next decades--must be determined and taken into consideration. We would like to adduce here a few examples concerning general qualitative improvements of the transportation system, which are to be prepared in the framework of the long-term conceptional work and then submitted to the decision-making organs:

- Traction conversion of the DR [GDR railroad] and determination of the ultimate respective shares of electric and diesel traction;
- development of the DR freight car stock and its composition, e.g. ratio of special to general-purpose railroad cars;
- development of container transportation; expansion of the terminals and procurement of the specialized means of transportation;
- introduction of EDP technology in the transportation system;
- expansion of the seaport of Rostock and of the DR feeder routes;
- expansion of the Berlin-Schoenefeld airport;
- development of the air service in GDR agriculture;
- determination and specification of the expansion parameters of the major transportation networks in accordance with the economic requirements;
- determination of the DR's volume of new construction of freight cars, passenger cars and containers;
- provisions concerning the construction of new railroad lines, highways and other important transportation projects.

These few examples are to illustrate the great impact on the long-term reproduction process of the transportation system and the national economy.

The long-term conceptional planning must disclose the dialectical correlation of the processes from their beginnings to the end and it must provide the decision-making organs with reliable data. Thus the long-term conceptional plans must be based on analyses covering sufficiently long periods. Through thorough study of the developmental factors, experience and new requirements, it will be possible to formulate realistic, mobilizing and efficiency-promoting tasks.

The following representations are concerned with certain theoretical aspects of long-term planning as a stage in the planning work. Aside from the principles applying to the five-year plans and annual plans, there are a number of special factors that must be taken into consideration in the elaboration of long-term plans. Long-term plans are characterized above all by the following three principles:

Safeguarding of

- continuity
- overall integration
- optimization.

/Continuity/ means--among other things--to insure a smooth transition between the individual five-year plan segments and not to permit any imbalance.

Experience has shown that it is very difficult to mesh the long-term plans with the current five-year plan. Frequently, there remains a large gap between the tasks of the last year of the five-year plan and the complex tasks of the following first year of the long-term plan, which in part results from insufficient consideration of the material possibilities and other concrete realities. It is therefore necessary to insure continuous annual feedback and also specification of the plans and tasks so as to safeguard continuity from the present to the objective pursuit.

Another principle is the enforcement of /overall integration/ of the long-term plans. Practical experience has shown that it is not sufficient to draw up and adopt programs or conceptions only for certain selected fields. We must also insure comprehensive coordination and systematic integration in the sector's entire reproduction process. Only in this way will it be possible to make an appropriate and optimal decision concerning the use and order or priority of the funds and of the public labor resources.

Finally, in regard to enforcement of the principle of /optimization/, it is important that we recognize maximum stable utility as the main criterion of every long-term plan. The objective is to meet the transportation needs with the lowest possible economic input. In this regard, we must not merely focus on certain individual aspects of efficiency; our decisions must be oriented toward overall integration. Thus it was justly resolved years ago to approve the modernization of the trolley lines as an optimal solution for suburban transportation in the GDR. Subjective proposals concerning expensive and uneconomical--albeit effective--monorail and cabin shuttle systems were rejected. To insure a proportionate and balanced development, the optimization of the GDR transportation system must be the primary criterion for all decisions.

In contrast to the five-year plans, the long-term plans of the transportation system cannot take into account /all/ details of the reproduction process. For example, the financial targets are not detailed in advance for 10 to 15 years. Consequently, it would not make much sense to draw up for the transportation system a net profit plan or plans detailing the individual employee's wages or salary. It is the qualitative aspects that determine the focus of the technical-economic tasks. It is imperative that we establish the main lines of development and identify the areas of main emphasis.

In accordance with the tasks specified, long-term transportation planning calls for special procedures and a special target nomenclature that must agree with the procedures employed for the five-year plans. It is essential that the tasks and objectives of the long-term plans can be expressed in terms of plan targets of the individual economic entities, since otherwise

it would be impossible to verify their implementation and they would thus remain ineffective. While verbal formulations concerning the orientation and focal points of transportation policy are important and necessary, especially in regard to the clarification of basic positions, they require target- and sector-related complementation and concrete specification of the tasks of the economic entities and thus of the collectives.

The following target groups are necessary in regard to isolation of objectives from the long-term plans:

- Volume of freight transport and passenger traffic;
- development and utilization of capacities;
- targets for science and technology concerning qualitative improvement of production;
- investments, construction shares, equipment, priority projects;
- demand for and consumption of energy and raw materials, broken down by key items; material input per M 100 of commodity output;
- demand for and utilization of public labor resources, manpower, high school graduates;
- commodity production, net output, labor productivity, capital input;
- valute targets for exports, imports and services;
- areas of high transportation density in the national economy.

To identify qualitative changes of standards, it is necessary to include in the long-term plans targets that also appear in the annual plans and that are listed in the master summary sheet (e.g. freight car turnaround time). This is especially important, because the development of qualitative factors plays an increasingly significant role in the transportation system.

In regard to the procedural approach, one should point out that a crucial prerequisite for advance planning is the thorough analysis of past processes, i.e. an analysis that considers not only their individual developments, but also their interrelationship and general framework. Only in this way will it be possible to work out a complex, practicable strategy in which the significance of the individual tasks derives from the overall objective. Experience has shown that it is easier to determine what forces are to be concentrated on what targets than simultaneously to decide what consequences this will entail in regard to the postponement or abandonment of other tasks. For example, it is quite clear that a continuing concentration of road construction capacities in one Bezirk (GDR administrative unit) is bound to entail a reduction of the rate of construction or of capacities in other Bezirke.

In the system of transportation planning, the following long-term plans have proved successful:

1. Conception concerning the development of the GDR transportation system-- a basic strategic document.

2. Long-term plan conception developed by the Ministry for Transportation for three five-year plan segments--the most important coordinating plan document, which serves as a general guideline for the transportation branches and bezirks.
3. Long-term programs for key objectives in the field of rationalization such as
 - electrification
 - seaport transshipment
 - application of microelectronics
 - expansion of the DR's double-track lines.
4. Master transportation plans of the bezirks and cities.
5. Developmental conceptions of the branches, combines and enterprises on the basis of basic guidelines concerning the main lines of development and the general framework in accordance with the principal plan documents.

It is essential that the entire conceptional work be centrally controlled in accordance with the documents concerning the development of the GDR economy so that each sector can be optimally integrated in accordance with the interests of society as a whole. Thus in domestic transportation, the division of labor among rail transport, motor transport and inland navigation must not be based on the development of the individual carriers; rather, it is based on the freight transport requirements of the national economy and is determined in consideration of the objective to organize the freight transport system as efficiently as possible. In this regard, energy consumption is an increasingly important factor. As is well known, the specific energy consumption in motor transport is three to four times as high as the energy consumption in rail transport. Thus a key objective is to carry out long-distance haulage by rail instead of motor transport.

In regard to the elaboration of long-term plans, comparisons with the international level are another means of formulating ambitious targets. Naturally, it will not always be possible to produce internationally competitive results in all sectors of the GDR transportation system. The crucial task is to try to realize the maximum efficiency attainable under the conditions prevailing in the GDR and to coordinate the measures taken in the gradual organization of a unified transportation system for the CEMA countries.

3. Development of the GDR Transportation System As a Result of the Conceptional Work in Preparation for the 1981/85 Plan Project

In the long-term conceptional work that is carried out--both on the ministerial level and in accordance with the "Decree on the State-Owned Combines, Combine Enterprises and State-Owned Enterprises" (GESETZBLATT [Legal Gazette] Part 1, No 38, 3 Nov 1979)--in the combines and enterprises,

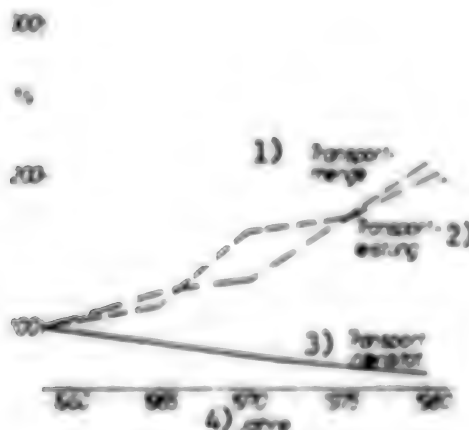
the ascertainment and determination of the economy's requirements in regard to freight transport and passenger traffic represents a crucial target variable.

The 10th and the 11th session of the SED Central Committee established the main lines of economic development for the 1980's. Special emphasis was placed on the necessity to curtail the specific consumption of raw materials, energy and materials. For the national economy, transport costs are production input, which must be kept as low as possible. Thus, following up on the 10th session of the SED Central Committee, the Ministry for Transportation submitted "Proposals Concerning the Reduction of the Economy's Transportation Input."

In consequence of the continuous development of the national economy, the total volume of domestic transport increased 142.0 percent during the period from 1970 to 1979. The cost of this transport work is nearly equivalent to the cost of the electric energy consumed by the producing sectors. Consequently, in order further to intensify social production and to meet the socially necessary, absolutely growing transport requirements, it is necessary to curtail the transport requirements per unit of distributable end product, i.e. to reduce the transport intensity (Figure 1).

Figure 1. Development of Commodity Transport Intensity

Abb 1 Entwicklung der Gütertransportintensität



Key:

- | | |
|-------------------------|------------------------|
| 1. Transport volume | 3. Transport intensity |
| 2. Transport efficiency | 4. Years |

The curtailment of the specific transportation expenditures is economically as important as the curtailment of the specific material and energy input. Through the "Decree on the Reduction of the Economy's Transportation

Input" of 26 July 1979, the Council of Ministers established the concrete targets for reducing by 3 percent the specific social expenditures on freight transport.

The implementation of the above-mentioned decree of the Council of Ministers is a significant intensification factor both for the freight-dispatching enterprises and for the transportation system.

Through the transport optimization in the ministries for

--coal and energy

--construction

--chemical industry,

it was possible to reduce the volume of transport services for selected types of goods.

Within the framework of these objectives, the target for the coming five-year plan for the period from 1981 to 1985 is to reduce the planned 1980 transport volume of 133 ton-kilometers per M 1,000 of GNP to at least 134 ton-kilometers per M 1,000 of GNP. This calls for further improvements in the economic transportation planning and for implementation of the resolutions concerning reduction of the transport volume in all sectors of the national economy.

These objectives can be attained only through close socialist cooperation between the transportation system and the transportation client. The conceptual and organizational prerequisites for the implementation of these objectives have been established. It is now necessary actually to meet the targets set.

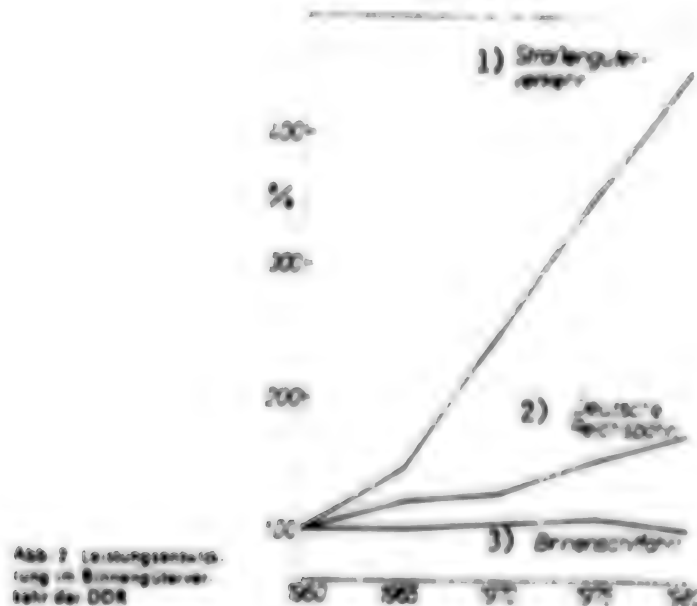
At present, the public transportation system, including passenger traffic, accounts for approximately 20 percent of the GDR's total energy consumption and for two-thirds of the total consumption of diesel fuel. Thus the transportation system occupies third place among the energy consumers of the GDR economy.

The motive power used to propel vehicles accounts for 80 percent of the energy consumed by the transport sector.

The necessity to effect energy savings of 3 to 4 percent per year forces the transportation system to re-examine the division of labor among the different carriers. It will be necessary to accelerate the development of the profitable and energy-efficient carriers--inland navigation and rail transport--and to maintain at the same level or reduce the volume of motor transport (Figure 2).

Energy economy is an increasingly crucial prerequisite for the further development of the division of labor in the transport sector. Much more than ever, energy economy is the determining factor in regard to the efficient allocation of transport jobs to the various carriers. Aside from

Figure 2. Development of GDR Domestic Freight Transport



Key:

- | | |
|----------------------------|----------------------|
| 1. Motor freight transport | 3. Inland navigation |
| 2. German Railroad | |

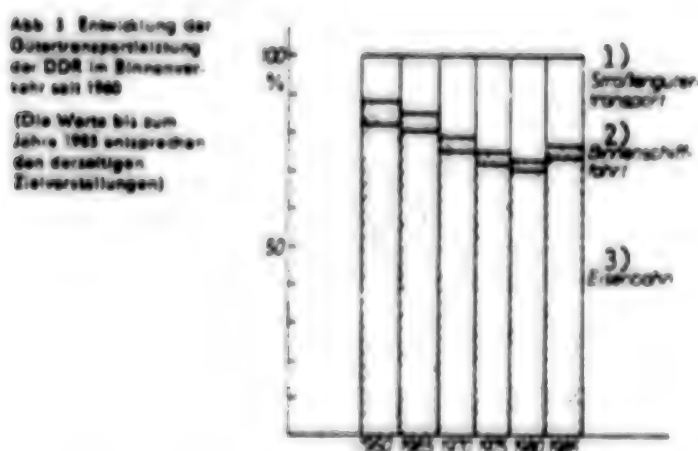
inland navigation, it is electric rail traction in particular that has turned out to be energy-efficient. Consequently, efforts are being made to expand as much as possible the capacities of these carriers. According to calculations, the energy consumption per 1 ton of freight hauled by motor transport, by rail, and by inland navigation can be expressed by the ratio 3 : 1 : 0.8. The directive passed by the Ninth SED Congress on the 1976/80 five-year plan stated: "It is the responsibility of the transportation system to meet the continuously growing demand of the population and the national economy in regard to passenger traffic and freight transport." This means that in order to meet the transportation and haulage requirements, it is necessary to establish the /economically most efficient division of labor/ among the various carriers. The establishment of an optimal division of labor is a permanent concern at all planning stages.

In the coming years, it will be necessary significantly to improve the efficiency of the railroad system and of inland navigation. Thus according to present plans, the share of rail transport in domestic freight haulage is to rise by 1985 to approximately 73 percent and the share of inland navigation, to approximately 3 percent. To meet these targets, the German Railroad will initially have to take over 10 million tons of goods from the

long-distance motor transport sector. By 1985, inland navigation--the most energy-efficient carrier--is to double the average annual increase attained during the period from 1976 to 1980.

Due to the performance increases effected by the individual carriers, it will be necessary more efficiently to utilize the available transportation installations and capacities. As a result of the intensified further consolidation of the material-technological foundation of the carriers German Railroad, maritime and harbor shipping, and inland navigation, the prerequisites for an optimal division of labor have been established (Figure 3).

Figure 3. Development of GDR Domestic Freight Transport Since 1960
(The values up to 1980 are in keeping with present targets)



Key:

- | | |
|----------------------------|-------------|
| 1. Motor freight transport | 3. Railroad |
| 2. Inland navigation | |

As is the case in the freight transport sector, it is necessary to establish a more efficient division of labor in the passenger traffic sector. In regard to passenger traffic, the primary objective is to safeguard and qualitatively improve the commuter traffic for workers and students and the tourist traffic and to establish transportation links with new residential districts.

In accordance with the stipulations of the housing construction program, during the period from 1981 to 1985 new residential districts comprising a total of 450,000 apartment units must be linked up to the existing transportation networks, preferably by means of rail vehicles. The railroad will be developed in such a way that motor transport services over long distances can be taken over by rail transport. At present, studies are being carried out to ascertain to what extent buses can expediently be used as means of local transportation.

It is only through socialist rationalization and on the basis of the findings of science and technology that these objectives for the 1980's can be attained. Consequently, the research and development work of the transportation system focuses on socialist rationalization. In keeping with the role of rail transport and maritime and harbor shipping in domestic and international transportation, the scientific-technological work is primarily concerned with rationalizing these sectors. Among the focal points of scientific-technological work for the period from 1981 to 1985 are the following:

- Acceleration of the rate of electrification of the DR;
- accelerated equipment of DR tracks and stations with efficient blocking and telecommunications systems;
- rationalization of the seaport transshipment and throughput processes;
- continued expansion of the DR's double- and multitrack lines;
- mechanization of the DR switching yards;
- rationalization of motor freight transport by means of optimization.

In regard to freight transport and in the rationalization of the transshipment processes, the scientific-technological work is oriented toward reduction of transportation expenditures and toward increased utilization of reserves so as to improve transportation quality, reduce freight losses or damage, and increase the degree of mechanization of the transshipment work.

The scientific-technological work in the passenger traffic sector focuses on the following areas:

- Continued technological improvement of the passenger transportation and dispatching processes and preparation of the use of efficient technological devices;
- elaboration of complex, technical-organizational measures aimed at improving traffic safety, including the technical installations required;
- development of automatic reservation systems.

To attain the efficiency targets in regard to material and energy consumption, the following measures are planned:

- Increased use of electric traction by the DR;
- further development of the division of labor among the carriers in favor of rail transport and of the relatively increased use of inland navigation in mass freight transport;
- reduction of deadheading for all carriers;
- increased use of electric means of local transportation;
- use of microcomputers as on-board calculators to insure the most energy-efficient operation.

4. Summary Conclusions Concerning the Preparatory Work for the 1981/85 Plan

Through the variegated work carried out in the Ministry for Transportation, in the bezirk and city councils, in the combines and, in particular, in the research institutions, significant progress has been made in regard to definition of the crucial tasks of the transportation system for the period from 1981 to 1985. As a basic integrating document, the "Conception Concerning the Development of the Transportation System Until 1990" has been of great value. Furthermore, the results produced in connection with the work on the CEMA target program for the development of transport routes were incorporated in the 1981/85 plan project. Finally, the master transport plans of the bezirks and cities have served as a basis for the development of the locally controlled transportation system.

As a result of the development of the national economy, the transportation system will be confronted with the following tasks during the period from 1981 to 1985:

- In collaboration with the transport-intensive transportation clients, the specific transportation expenditures must be reduced--through optimization and norms--to the economically required level. The passenger traffic sector must make greater use of railed vehicles to meet the transportation needs of the population.
- To reduce the specific energy consumption, it will be necessary to accelerate the development of electric traction in the railroad system and in urban and suburban transportation and to establish an optimal division of labor among the carriers.
- The scientific-technological work and the rationalization efforts must be concentrated on the reduction of the specific transportation expenditures and on labor and working time economy. The individual transportation sectors must incorporate the latest scientific-technological findings in the five-year plan and the annual plans.
- The policy giving priority to improvement of the efficiency of the railroad system, of maritime and harbor shipping and of inland navigation will be pursued further.

Generally speaking, one can safely say that the successful development of the transportation system must and can be continued in the coming five-year plan period. The introduction of new technologies, the expansion and modernization of the infrastructure, the procurement of new transport containers and transshipment machinery, and the rationalization of transport, construction and industrial production require--aside from scientific analyses--above all the creativity and initiatives of the transportation workers.

WEST GERMAN ANALYSIS OF GDR COMBINE SYSTEM DEVELOPMENT

Cologne DEUTSCHLAND ARCHIV in German Vol 13 No 9, Sep 80 signed to press 22 Aug 80 pp 929-942

[Part I of 'Analyses and Reports' feature article by Kurt Erdmann and Manfred Melser: "The New Combine Decree in the GDR -- Possibilities and Limits of the Productivity Stimuli of the Newly Formed Combines." Subsequent parts will be translated and published in this JPRS series as they appear. A translation of the combine decree cited in footnote 1 is available in JPRS 75361, 24 Mar 80, EAST EUROPE REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS No 1774, pp 44-75. Translations of articles and laws cited in other footnotes are published in indicated JPRS issues of EAST EUROPE REPORT: ECONOMIC AND INDUSTRIAL AFFAIRS: Footnote 26, NEUE JUSTIZ article by Klinger -- 75167, 20 Feb 80, No 1981, pp 20-25; footnotes 34 and 94, EINHEIT article by Friedrich and Kroenke -- 75132, 14 Feb 80, No 1980, pp 15-26; footnote 42, GESETZBLATT Balancing Order -- 75995, 7 Jul 80, No 2021, pp 76-115; footnote 44, both GESETZBLATT pricing orders -- 76061, 17 Jul 80, No 2025, pp 18-41; footnote 59, WIRTSCHAFTSWISSENSCHAFT article by Gerisch and Hofmann -- 73083, 26 Mar 79, No 1872, pp 13-40; and four EINHEIT articles cited in footnotes 67 (by Kosiulek), 68 (by Kroker and Friedrich) and 73 (by Kroenke) -- all published in 76104, 24 Jul 80, No 2026, pp 34-65/

[Text] The "Decree on the State Combines, Combine Enterprises and State Enterprises," dated 8 November 1979,¹ provided a legal framework for the revision in the organizational structure of GDR industry and construction that had been taking place since 1 January 1978,² relatively quietly at first and then with a great propaganda display.³ The GDR views this reorganization as a further step "toward improving management and planning in the present phase" of a "continued structuring of the developed socialist society."⁴

The economic leadership in the GDR is concerned with two things here:

1. The establishment of combines with improved internal structures is intended to bring together all production units of importance to a single product group (including manufacturers of means of production) and to centralise other industrial management tasks as well (such as marketing and research).

2. With these combines -- as economic units of a higher order -- the attempt is being made to make planning more practice-oriented and bring it closer to production, to eliminate previous functional weaknesses and to achieve generally better results.

Taken together, they represent a tremendous task which -- in view of the abundance of industrial management problems involved in developing the internal structure of a combine -- is considerably easier to formulate than to realize.

The purpose and significance of the organizational changes made also become especially apparent when set against the backdrop of legal provisions that have preceded these changes.

I. Legal Provisions Concerning Enterprise Organisation

1. Survey of Organisational Provisions of the 1950's and 1960's

During the development phase of the system of central planning and control in the Soviet Occupation Zone of Germany of that time, the enterprises that had been socialized since 1946 possessed no legal competence of their own. Managed by various forms of administrative authority (legal entities), they remained dependent economic units.

It was not until the start of the 1950's that changes in the direction of relative autonomy began to be made, especially in some large-scale enterprises. Introduction of the principle of economic accounting made 1952⁵ a crucial date in the development of basic criteria for a relative legal and economic autonomy on the part of VEB's throughout the GDR. Apart from various shifts in the state management pyramid, the basic principles of VEB organization remained largely constant in the 15-year period between 1952 and 1967. Subsequent changes in the general regulations on enterprise organization then took place at shorter intervals, every 6 years.

The "Decree on Tasks, Rights and Obligations of the State Production Enterprise," dated 9 March 1967,⁶ superseded a number of supplementary regulations concerning the role of the VEB that existed at that time, regulations that derived from the 1950's and 1960's. Nevertheless, "the state production enterprise" was in 1967 still "...the most important socially and legally autonomous unit of material production" and "a collective of socialist working people."

Regulations for "large-scale enterprises" or "combines"⁷ -- though the latter were certainly not very common, they had been in existence since the 1950's -- were written into this 1967 decree as special cases.

The "Associations of State Enterprises" (VVB's), glorified by Ulbricht as so-called "socialist trusts" in the initial period of economic reform after 1963 (New Economic System of Planning and Management of the Economy), took over important leadership functions for the VEB's placed under their authority. Nevertheless, the period of validity of the 1967 VEB decree remained solely a blueprint stage for a VVB decree⁸ which, to be sure, for a long time was treated in economic practice as

existing law. "The autonomy of the enterprises and the stabilisation of their rights, particularly their participatory powers, were a special concern"⁹ of this draft decree. Moreover, the formation of "associated industrial establishments and combines"¹⁰ had constituted an important change since the Sixth SED Party Congress in 1963. As the result of further reform stages in the late 1960's (Economic System of Socialism), various resolutions and decrees issued between 1968 and 1970 regulated in particular the position and function of the combine, whose importance as an efficient "type of socialist enterprise," with a new organisational structure "like that of a trust" encompassing its affiliated enterprises, became increasingly more prominent.

2. Concerning the 1973 Decree on VEB's, Combines and VVB's

The "gradual formation and development of productive combines" was understood "as an essential element in the comprehensive application of the economic system of socialism,"¹¹ especially since these "parts of the system" made possible an efficient assignment and effective use of "productive labor."¹²

Especially under the increasing pressure of a stepped-up mobilisation of enterprise productivity reserves, the combine as an organisational form continued to be accorded a "key position" even at the start of the 1970's, despite a change of course in economic policy instituted under Honecker.

Based on the economic theories of Karl Marx, conceptions of a simpler planning and control system covering a smaller number of large enterprises instead of a large number of small and medium-sized enterprises had already led to a true "gigantomania" in the early years of the Soviet Union.¹³ As early as April 1918, in the draft of a plan for the reorganization of industry and Russia's economic ascendancy, Lenin called among other things for "a rational amalgamation and concentration in a few large-scale enterprises from the standpoint of the most modern large-scale industry, and especially the trusts."¹⁴ This "special affinity between central administrative management and large-scale enterprise"¹⁵ has determined organisational structure in GDR industry and construction, above all since the efforts toward economic reform of the 1960's.

Almost exactly 6 years after the 1967 decree on VEB's was issued, it and subsequent special regulations on combines were superseded by the "Decree on Tasks, Rights and Obligations of the State Enterprises, Combines and VVB's," dated 3 April 1973.¹⁶ This new decree established for the first time, as "a coordinated body of law,"¹⁷ a common, comprehensive set of legal regulations covering all essential enterprise forms in the industrial and construction sectors.

But at the same time, the "legal consequences" had been "drawn from the style of management oriented toward centralisation"¹⁸. The renunciation of essential principles of reform -- thus also of enterprise rights dating from the 1960's¹⁹ -- and the heightened trends toward recentralisation since the beginning of the 1970's were reflected in commercial law as well.²⁰

Some of the rights that had been accorded the enterprises were simply taken away and not replaced, while the already large share of enterprise obligations continued to increase accordingly.

The VEB decree of 1973 comprised a total of 47 articles, broken down into 4 main sections: First, the principles; then the tasks, rights and obligations of, first, the VEB's; second, the combines; and third, the VVB's. The major emphasis, however, was placed clearly on the VEB's, which were sometimes treated as analogous to the combine, the "large economic unit" (enterprise planning and economic management, for example).²¹ Ten special articles contained regulations governing the peculiarities of the combines.

In contrast to the evaluation of the VEB in 1967 as "the most important social and legally autonomous unit of material production,"²² the VEB, the combine and the VVB were now characterized as equal "components" of a "uniform socialist economy of the GDR."²³ Noteworthy, however, was the absence in the 1973 decree of the term "legal entity," although the economic autonomy and the "legal competency" of VEB's, combines and combine enterprises was expressly declared.²⁴ It was only later that this "legal competency" was interpreted as the "status" of a legal entity.²⁵

It is "primarily ambiguities" in the use of this term that are offered today as the reason for this change, ambiguities which at that time "had not yet been eliminated in connection with treatises on legal theory."²⁶ For various reasons, the institution of the legal entity was fully restored in the 1979 combine decree.

3. Decree on the State Combines, Combine Enterprises and State Enterprises, 1979

The 1979 decree on combines, issued a good 6 years later, concentrates primarily on the combine as well as the enterprises, parts of enterprises and institutions that are subordinate to the combine (38 out of a total of 43 articles). Only a few regulations (four articles) are concerned with those VEB's that do not come under a combine. It became necessary to include these enterprises as well -- it says rather abruptly in one of the few commentaries on the combine decree published thus far -- "because their number is very great,"²⁷ even though the 129 presently existing combines (industry and construction) account for the major share of the GDR's production volume, with circa 90 percent.²⁸ The 1973 regulations covering the VVB's²⁹ still apply to the few remaining VVB's, which are "dying out."

The still strong centralist trend in the GDR's economic policy can be perceived merely in the change of emphasis in the title of the decree, for taking the place of the differentiation among "Tasks, Rights and Obligations" of the enterprises is the general "Responsibility" of the combine toward the national economy, manifested in the simple designation of a decree on "Combines" by the GDR Council of Ministers, one which regulates "the most important groups of tasks in the realization"³⁰ of this responsibility.

In 1967, the VEB was the "the most important unit of material production," but 12 years later, the combine constitutes the "basic economic unit of material production."³¹

The decree is broken down into six main sections. The first two sections (Arts 1-23) deal with the status, responsibility and tasks of the combine and its subordinate enterprises or parts of enterprises. It must be noted here that the question of the status of combine enterprises had been the source of great dispute for a long time in the discussions leading up to the decree.³² The second section in

particular (Arts 9-23) provides a more detailed description of the essential tasks of the combine (for example, planning and balancing, science and technology, material economy, economic accounting, finances and prices).

A third section (Arts 24-30) chiefly regulates management powers and emphasises the areas of responsibility already found in preceding regulations (including the responsibility of the general director, management organisation and the combine by-laws).

Only the relatively brief fourth section (Arts 31-34) specifies the "status, management and tasks" of those VEB's that are not subordinated to a combine.

Provisions for the establishment, designation, merging and liquidation (shutdown of operations) of combines and enterprises make up the content of the fifth section (Arts 35-40). They were not in the 1973 decree but instead refer back to a regulation dating from 1968.³³ A sixth and final section (Arts 41-43) includes jurisdictional provisions and final clauses.³⁴ A "Decree on Keeping the Register of the State Economy,"³⁵ adapted to the new organisational structure, did not appear until 10 April 1980.

4. Follow-Up Regulations Relating to New Five-Year Plan Period

One result of the structural reorganization that has been under way since 1 January 1978 is a number of amended provisions in the area of both general as well as specific regulations pertaining to the economic mechanism. Although, as has been noted, the new decree took into account when specifying the tasks of the combines "that specific legal regulations with detailed norms existed for a number of sets of tasks"³⁶ (some of those mentioned were planning, balancing, investment activity, material economy, finances, prices, foreign trade, work organisation, production cooperation), the corrections implemented since 1979 by way of new regulations nevertheless cover these aforementioned sectors in particular, having been tailored specifically to the new combines.

Some essential follow-up provisions pertaining to the organizational shake-up are listed here. The main ones to be mentioned are the "Order on Planning the Economy, 1981-1985,"³⁷ and the new "General Guideline for Planning in the Combines and Enterprises of Industry and Construction,"³⁸ covering the same period.

The "Financing Guideline for the State Economy,"³⁹ in effect since 1975, was superseded by a new version with the same title, dated 21 August 1979,⁴⁰ specifically adapted to conditions in the new combines.

In addition to a series of special supplements to basic rules relating to the combine decree, also playing an important role are the following decrees and regulations: A new "Head Bookkeeper Decree," 7 June 1979;⁴¹ a new "Decree on the Balancing of Material, Equipment and Consumer Goods -- Balancing Decree";⁴² new regulations in the area of assuring quality -- "Decree on the Development and Assurance of Quality Products";⁴³ -- and, above all, new regulations in the area of pricing and price control.⁴⁴

Not the least important are moves toward improving performance evaluation (Council of Ministers' resolution) by introducing new index figures (e.g., net production).⁴⁵

Work is still in progress on the correction of other significant rules for the new combines. Besides the reworking of regulations on accounting and statistics, chief mention should be made here of a new version of the Contract Law which has been under discussion for some time. Reportedly, an effort is being made in general "to preserve a certain measure of abstraction" in the new Contract Law "in order to be able to allow for future developments."⁴⁶

The GDR is by no means alone within CEMA in its efforts at concentration in the form of large-scale enterprises. Similar changes can be observed simultaneously in nearly all CEMA countries.⁴⁷

II. Anticipated Advantages from Combines

1. Previous Problems and Weaknesses of the System

The economic leaders of the GDR had sought vainly in the second half of the 1970's to correct through improved planning methods some of the deficiencies in the recentralization model developed in 1970 and 1971.⁴⁸ However, the sought-after standardisation of procedural methods that was urgently needed to counteract excessive control⁴⁹ was offset -- wherever it had actually taken place -- by new, more precise and more comprehensive plan balance sheets that had been added. Overbureaucratization had thus increased noticeably.

Efficiency in the use of production factors has continued to be inadequate,⁵⁰ since manpower is being wasted in processes that have not been sufficiently mechanized, raw materials are not being used completely and equipment is not being used to full capacity. There is hesitancy in retiring obsolete installations;⁵¹ in investment activity there is an increasing number of unplanned projects which should actually not exist at all,⁵² and there is an increasingly greater impact from rising costs.⁵³ Investments are being prepared inadequately, and their realization is taking too long -- technical progress is ultimately being implemented only sparingly. Playing a major part in all this is the problem of a lack of willingness by enterprises to innovate, but under existing rules for the use of profits, they are given no lasting incentive for innovations or for taking risks. The methods of efficiency planning⁵⁴ are similarly proving inadequate, since in view of sharp price distortions, no meaningful measure of efficiency is possible with a large number of index figures.

More and more serious management deficiencies are showing up as a relatively new problem. GDR authors list the following conditions as its external signs:⁵⁵ increasing underfulfillment of plan index figures; disruptions in production; declining growth rates; insufficient satisfaction of demand; increasing downtime; a rise in overtime hours; increasing numbers of special shifts; stagnation in the innovations sector; greater and greater dissatisfaction among employees and increasing complaints. In turn, the reasons for this are functional weaknesses that involve serious consequences: an information system which is oriented more toward the needs of central management and neglects the other management levels; overlapping decisionmaking jurisdictions of central authorities; a lack of feedback in the area of plan preparation; lack of coordination of interbranch relations; disinclination on the part of superior organs to make decisions; and a lack of flexibility in adjustment processes in the event of disruptions.

Adding externally to these problems that are more or less inherent in the system is what is probably the GDR's principal economic problem: the increasing "foreign economic burden." Since the mid-1970's the GDR, which is short on raw materials, has been confronted by substantial increases in world market prices for raw materials and energy, without being able to raise prices for their export products in the same measure.⁵⁶ The price increases that can be expected at present and in the future have clearly brought the situation to a head.⁵⁷ Given a probably lasting decline in overall economic growth, serious efforts have to be made to increase exports -- even at the cost of a drop-off in domestic utilization.

2. Improvements Sought

In view of this plethora of problems, the GDR's economic leaders decided -- among other planning system improvements still under discussion⁵⁸ -- above all to form a substantially larger number of combines, thus at least achieving better performances by way of a cautious and partial increase in decisionmaking for their managements.

With the formation of combines, the effort is being made⁵⁹ "to combine those capacities which are part of a specific production complex and belong together formally in the national economy." "The combines are therefore also more than just the sum of the enterprises that are joined within them. The possibilities for division of labor and efficient production cooperation among the enterprises multiply their potential."⁶⁰

Quicker successes with intensification -- or productivity increases via the modernization of existing installations while at the same time saving on material and manpower -- appear to be possible because they can be planned much better by combine management in close proximity to the enterprise than "from above" by central organs. It is also expected of the combines that they will work better with the ministries at the top level as well as bring about on the lower level -- through the general director -- a certain harmony between central objectives and selected enterprise objectives. This means, however, that their participation can produce shorter and more efficient channels of information as well as bring about more useful intersectoral coordination.

Thus, on the one hand, the general directors are in practice expected to help improve five-year planning,⁶¹ effect a purposeful coordination of the separate planning operations that concern the combine as a whole and produce broad agreement between state conceptions and the actual production capabilities of the combine enterprises under them; on the other hand, they are supposed to tighten the management structure of the combines and "simultaneously produce an improved internal organization -- for example, through a greater concentration of the processes that are oriented toward production preparation, production and marketing."⁶²

The general director is thus accorded a dual function: He is the "minister's representative" and "entrepreneur" at the same time. It is an extremely difficult task to reconcile one with the other, especially since in general "the work of management cadre is presently considerably more complicated than it was even 10 years ago."⁶³

According to Honecker, combine formation is "presently the most essential step in improving management and planning,"⁶⁴ because "the crucial phases of the reproduction process -- from research and development to project-planning and the construction of rationalization means and on to actual production, including subcontractor products that determine quality, and the marketing of products at home and abroad -- are merged economically in the combine."⁶⁵ The following expectations in particular are held for the combines:⁶⁶

Use of the advantages of size, especially in production and marketing;

Purposeful coordination of the work performed by the enterprises belonging to the combine;

A better solution to subcontractor problems, through the absorption of appropriate enterprises as well as the more efficient use of materials;⁶⁷

Lasting successes with rationalization, especially by increasingly retiring obsolete equipment and making better use of the new;

More efficient investments, through better preparation as well as quicker realization of projects;

Production of goods that meet demand and are of improved quality;

Expanded exports through the development of products capable of competing on the world market; and

A general acceleration of scientific-technical progress through increased in-house research by the combines.⁶⁸

Just how concretely these expectations are reflected in practical economic policy is shown in the following remarks by the general director of the Carl Zeiss Jena Combine:⁶⁹

"If all 129 of the directly subordinate combines in industry and construction succeed in achieving good economic results at the necessary pace and tempo, then our republic will have an additional several billion marks' worth of marketable products at its disposal each year. And these billions are the issue. Last year when the plan proposals were submitted, one-fourth of the combines came up with growth targets of 8 percent and more. Another group was in the middle, with between 5 and 7 percent. But there was also a large group that was below this."

This was reemphasized by Guenter Mittag at the SED Central Committee exchange of experiences with the general directors⁷⁰ in March 1980 in Gera:⁷¹ "Combines, enterprises and entire industrial branches that are doing good work have proved that it is possible to raise labor productivity to average rates that are higher than previous normal levels. Of course, in some instances there are still differences in production growth."

This illustrates quite clearly that the better-known combines are developing much more favorably than most of the others. All the same, the combines pledged in 1980

to come up with an additional 2 billion marks' worth of production above the plan by economizing in the use of materials.⁷² While in October 1979, only 12 combines agreed to increase labor productivity in 1980 over and above their planned production, there were 20 such combines by March 1980.⁷³

III. Revision of Economic Management Structure

1. Elimination of the VVB's

By reducing the multi-level character of the economic management system from what has been three levels (ministry - VVB - enterprise/combine) to only two (ministry - combine) -- thus eliminating the VVB -- the GDR is seeking to construct an efficient information and management system. For it has proven to be increasingly disruptive for the sphere of responsibility and decisionmaking of the VVB -- which has acted mainly as an administrative body as it is -- to be limited solely to the planning and management tasks of the enterprises under it, thus being removed from intersectoral relations that extend beyond the branch. And this led to increasingly more frequent discrepancies between the management and planning responsibility accorded the VVB and the balancing and product-group⁷⁴ responsibility split among various levels of authority.⁷⁵

If they wanted to reduce the abundance of already steadily increasing coordination tasks involving various branches and fields, while simultaneously working to eliminate the splitting of decisionmaking powers among a number of authorities, new and larger, efficiently structured economic units with a greater degree of self-containment than the former VVB's had to be formed by way of integrational enterprise mergers. This kind of combine not only has the advantage of direct contact with the responsible minister, it also unites capacities that belong together organically by absorbing important subcontractor enterprises -- even outside the field. And this makes it appear possible to achieve uniform management of the entire branch and/or production entities that can be integrated: Interbranch coordination processes are thereby reduced, information channels shortened, decisions expedited, planning made more flexible and, finally, the overall economic management structure becomes more comprehensible. The central organs are thus hoping to facilitate planning and management tasks while at the same time being able to obtain better results by implementing plan coordination and other coordination processes with better-organized combines, and by transferring to combine organizations some of the plan-breakdown and balancing duties.

A greatly simplified chart (p 938), based on only 45 hypothetical enterprises under three ministries, is used to show that the incorporation of non-branch, essential subcontractor enterprises into the most suitable combine can bring about not only meaningful enterprise mergers but especially organically better-structured branches. For example, a consideration of necessary basic production relations between enterprises 12 and 19, as well as changes in the time schedule for planning, formerly required information from VVB(B) and Ministry I via Enterprise 12, as well as from VVB(D) and Ministry II via Enterprise 19, so that finally -- in the case of important groups of goods -- ministries I and II could reach agreement (via a balancing agreement, for example). The larger the number of interbranch production channels became, the more obstructive the time-consuming coordination processes proved to be -- proceeding through several levels. The formation of combines has now greatly

Mit der Kombinatebildung angestrebte Verbesserungen der Leitungsstruktur
(durch Umwandlung bisher intersektoraler zu intrasektoralen Leitungsbeziehungen)

Vereinfachte schematische Darstellung

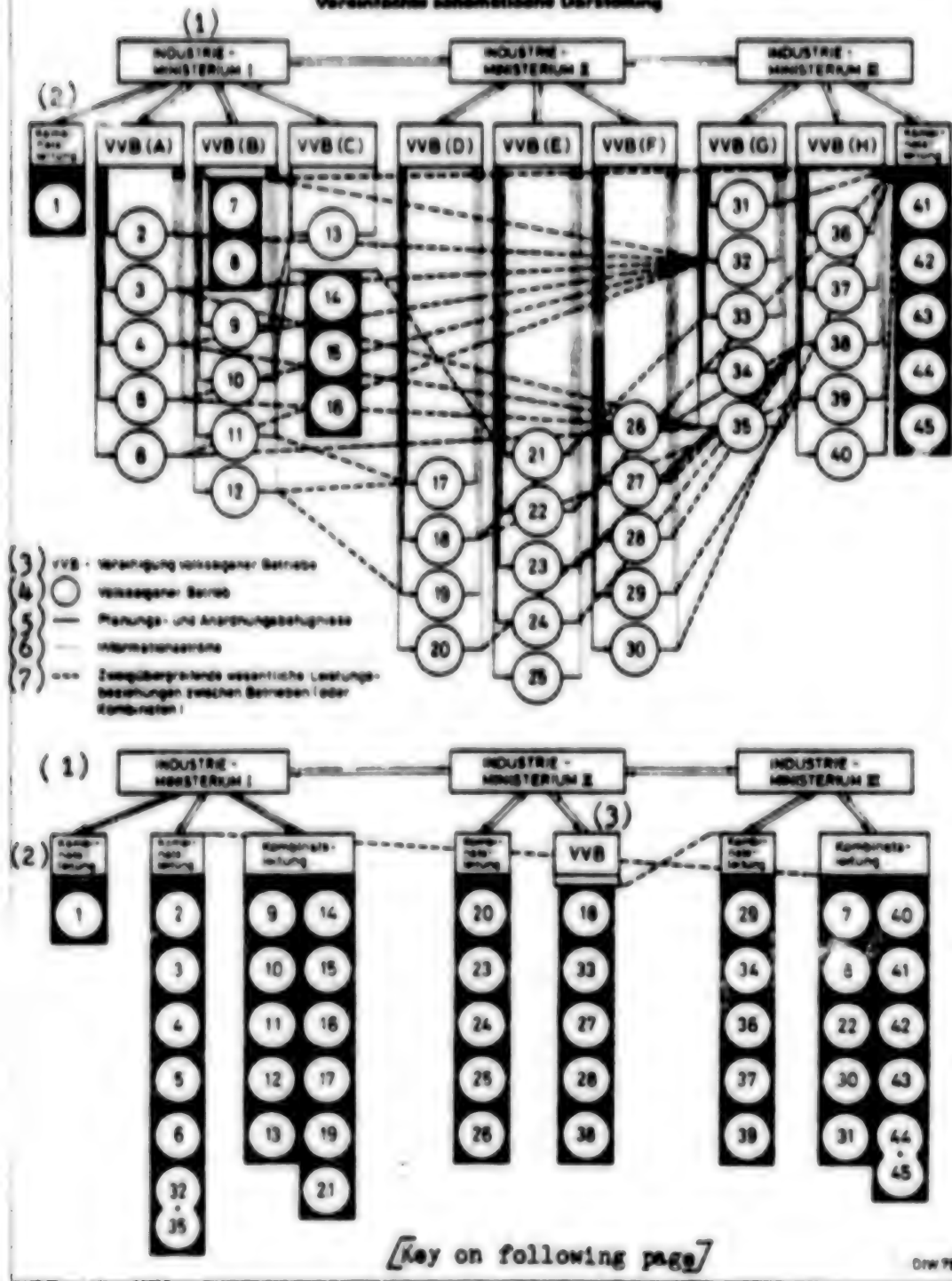


Figure 1. Improvements in Management Structure Sought by Combine Formation
 (by changing former intersectoral relationships to intrasectoral ones)
 -- Simplified Diagram

Key:

1. Industrial Ministry
2. Combine Management
3. VVB -- Association of State Enterprises
4. State enterprise [VVB]
5. Planning and directive powers
6. Information flows
7. Essential interbranch production relations between enterprises (or combines)

simplified the management system: For example, enterprises 32 and 35 from Ministry III, which carried out the many different deliveries to enterprises belonging to the former VVB(A) in Ministry I, are incorporated into a combine of Ministry I. This combine is made up of the enterprises of the former VVB(A) plus enterprises 32 and 35, which have now been merged into a single enterprise.

2. Forms of Combine Reorganization

In general, quite different forms of combine organization are possible; for instance, the case where an already existing combine with 3 enterprises (14,15,16) absorbs additional enterprises from various VVB's belonging to the same ministry (9,10,11,12,13) as well as from various VVB's of a different ministry (17,19,21). Another case would be that an already existing combine switches with its enterprises (7,8) from Ministry I to Ministry III and is merged with another combine in III (41,42,43,44,45) as well as other enterprises that are closely related to the branch (31,40) and some that are foreign to the branch (22,30). It is also possible -- as a transitional solution, so to speak -- for closely branch-related enterprises (18,27,28) and enterprises foreign to the branch (33,38) to be added initially to a combine still managed by a VVB, so that a better-organized combine can be developed at a later date, one which would come directly under Ministry II.

Reorganization measures that have been put into practice show essentially the following five forms⁷⁶ of combines:⁷⁷

- (1) The classic combine with only a single enterprise (example: Leuna Works);
- (2) A VVB was made into a combine, with or without absorbing other enterprises (examples: TAKRAF Heavy Machinery Combine; Wool and Silk Combine);
- (3) An already existing combine absorbs other enterprises (examples: Zeulenroda-Triebes Furniture Combine; ESDA Hosiery Combine);
- (4) Two or more combines form a single larger one, with or without absorbing other enterprises (examples: Robotron Combine, made up of the former Robotron, Zentronik and Office Machine Export ANB [Foreign trade enterprise] combines);

- (5) An already existing combine was placed under a different ministry as the center of a new combine (example: The Ruhla Watch and Clock Combine, previously administered directly by the Ministry for Machine Tool and Processing Machinery Building, was shifted to the electronics sector and assumed a management function in the new Microelectronics Combine).

A major role was played in virtually all forms by absorption and/or new formation of nonbranch-related suppliers of subcontractor products, from the producer of raw materials and semifinished products to the producer of highly specialized finished products.⁷⁸ This, of course, also caused many new problems because there was a tendency toward absorbing enterprises rather than giving them up, so enterprises with multiple supply relations were not necessarily assigned to the best possible sector.⁷⁹ Enterprises which change branches must also now deal with new coordination problems with regard to purchasers that do not belong to the combine. And finally, the tasks which combine formation conferred upon central organs have led to a number of new intrasectoral management problems which cannot be solved overnight.

3. Greater Decisionmaking Authority for the Combines

The restructuring that has been completed has had a positive effect on the combines' leeway to make decisions.⁸⁰

- (1) The broad cutback of VVB's transferred to the production side -- including the management bodies of the combines -- decisionmaking rights that had previously belonged to the middle management level.
- (2) Just the expansion in size and the absorption of nonbranch enterprises have expanded the decisionmaking scope of the new and/or reorganized combines in comparison to the former VVB's (magnitude and breadth effects).
- (3) Additional rights relating to the internal structuring of the combines -- regarding the transfer of capacities from the enterprises, for example -- have clearly enlarged the framework for decisionmaking by the top level of the combine at the expense of the individual enterprises (depth effect).
- (4) The greater participation by general directors in coordination processes with the responsible ministers has produced a clear increase in the power of the combines.

The combine decree stipulates that the establishment of directly subordinate combines is the business of the Council of Ministers (Art 36); the responsible minister decides on the basic structure and any changes (Art 3), on new organizational schemes (Art 35) and on the combine by-laws (Art 29). It is especially important that the combine's general director (Art 7) be empowered to change functions and tasks of individual enterprises and/or transfer them to other enterprises, to establish new enterprise departments and/or capacities and shift production to other enterprises. Moreover, he determines (Art 7) which duties (for example, research, investments, marketing, market research, accounting, professional qualification) are to be centralized or assigned to specific combine enterprises. He bears full responsibility for presentation of the draft plan to the minister (Art 9); he

allocates the plan tasks to the enterprises (Art 10), and he maintains a check on their implementation.

A certain decentralization of decisionmaking can be seen in the fact that, in addition to planning duties, the general director performs state functions such as balancing (Art 11), pricing and pricing approval (Art 20), standardisation tasks (Art 13) and duties relating to socialist economic integration⁸¹ (Art 16).⁸² Within the combine itself, the general director is supposed to develop many different entrepreneurial initiatives aimed at improving both the internal structure as well as the efficiency of the combine (Arts 12-22). He is personally fully responsible for combine development as well as the implementation of plan tasks; he may call in the directors -- appointed by him (Art 25) -- of his enterprises for consultation on important decisions (Art 5). This makes it plain that the powers of the general director have been expanded not only quantitatively but, more importantly, qualitatively -- especially with reference to internal combine organisation.⁸³ It shows that crucial expectations concerning improvements in efficiency are linked to the increased integrational strength of a unified combine management. One of the essential criteria of the combine reorganisation is the functions of the "socialist manager" of a combine in establishing an optimum of self-containment within the enterprise, including the insertion of missing "links in the chain." Taking on special significance at the same time is the question of the opportunities open to higher state authorities, particularly the industrial ministries, to interfere, or the question of the extent to which a general director is free of "picayune regimentation" (Liberman) on the part of central authorities. For it cannot be denied that a lack of clarity exists as to the scope of actual decisionmaking authority when it comes to the assigned state functions.

4. Functions of the Industrial Ministries

Interestingly enough, the subject of ministerial functions and rights has been treated with noteworthy understatement in public comment on the discussion surrounding combine reorganization in recent years. There have been unmistakable and considerable differences of opinion about the "growing role of state economic management" and about the relationship between the superstructure and the base.⁸⁴ Also, Honecker's statement to the effect that the ministries should now concentrate on "main issues"⁸⁵ permits a constant reinterpretation of what the "main issues" are; the GDR literature on the subject concedes this fact.⁸⁶

It was not until after the SED conference on combines in August 1978 that Singhuber, minister for ore mining, metallurgy and potash, spoke of his functions quite openly in a broadcast.⁸⁷ Following this, in April 1979 at the 10th SED Central Committee Plenum, were interesting and more detailed remarks by Honecker on new proposals on "state management activity"⁸⁸ developed by the ministers themselves.

Even before publication of the new combine decree, economic policy guidelines and details of more recent experiments in several "structurally determining" areas made clear the management powers of the responsible industrial minister as well as the limits of a combine manager's authority. The formation of "operational staffs" at the department manager level, responsible in each case for one of the combines subordinate to a ministry,⁸⁹ constitutes a vivid reminder -- in addition to other

central measures -- of the principles of the link between main departments of industrial ministries and their subordinate VEB's in certain organizational phases of the past.

The official guideline holds that the combine is not responsible for strengthening the "direct, organizing function of a ministry",⁹⁰ rather, the minister is ultimately "responsible for the comprehensive application of tested methods of socialist industrial management" or for "the initiation, implementation and supervision of cost and pricing work in the industrial sector."⁹¹ All of these are primarily industrial management functions and consequently should belong more to the jurisdiction of a combine management than to that of a ministry.

The very general text of paragraphs 3 and 4 of Art 4 of the combine decree,⁹² the pertinent article here, by no means precludes the possibilities for ministerial interference described by an SED Central Committee institute, especially since the "central economic management organs" are expressly charged with "establishing the conditions for a more effective management of the enterprises."⁹³

In accordance with the basic principle of individual management, the combine decree (Art 24) holds that only the responsible industrial minister is empowered to issue directives to the general director; this does not include the "leading cadre" of a ministry, who are nevertheless obligated to intensify "work relationships"⁹⁴ with the combine on behalf of the minister.

In a critique of a new textbook on administrative law in the GDR, Panzer, one of the major GDR jurists, characterizes the ministries as "centers of economic systems," and as such they are the representatives of "special sector and branch interests" with particular "economic responsibility" toward the enterprises under them,⁹⁵ even if, in contrast to the USSR system, they do not operate according to the principle of economic accounting.

Nevertheless, the problems that have been discussed concerning the "establishment of a new kind of relationship between central state planning organs on the one hand and the combines on the other,"⁹⁶ or the "necessarily" resulting "qualitative changes"⁹⁷ in the overall economic management system, reveal existing ambiguities surrounding the question of the management jurisdictions of industrial ministries. One may suppose in general that the ministries will continue to have the right to assert themselves on important material problems all the way to the enterprise level. This is seen, for example, in the fact that there is still a definite number of combines whose production programs are completely predetermined by the minister, while others have a relative measure of autonomy in determining theirs.⁹⁸

The principle of bipolarity⁹⁹ remains unchanged for the combine in accordance with the existing maxims for the VEB: on the one hand, the relative autonomy of an economic unit equipped with limited power; on the other, status "as an organic component of the overall socialist planned economy."¹⁰⁰ And last but not least, the present special emphasis on the role of the ministries has to be considered from this aspect. Their direction and control constitutes a traditional state "counterbalance"¹⁰¹ to the large-scale enterprises which, although subordinate to the ministries, are tending toward greater autonomy because of their sheer numbers.

FOOTNOTES

1. **GESETZBLATT DER DDR**, Part I, 1979, No 38, pp 355-366.
2. Guenther Klinger: "The Combine Decree -- an Important Instrument in the Continued Improvement of Management and Planning," **WIRTSCHAFTSRECHT**, No 1, 1980, p 1.
3. Cf, for example, the conference entitled "Sed Central Committee Exchange of Experiences Seminar on the Development of Existing Combines and the Establishment of New Ones as Presently Essential Steps Toward Improving Management and Planning," 24-25 August 1978.
4. G. Klinger, loc cit (footnote 2), p 1.
5. Cf "First Implementing Regulation to the Decree on Measures To Introduce the Principle of Economic Accounting in the State Enterprises -- Provision for Legal Succession to Associations of State Enterprises," **GESETZBLATT**, 1952, No 45, p 287, and subsequent regulations.
6. **GESETZBLATT**, Part II, 1967, No 21, pp 121-134.
7. Ibid (Art 1), p 121.
8. "Draft Decree on the Tasks, Rights and Obligations of Associations of State Enterprises," **DIE WIRTSCHAFT**, No 13, 1967, Annex, pp 1-8.
9. Joachim Lieser, "Supplement" (to Klemens Pleyer's "Points of Law in Supra-enterprise Cooperation Under the New Economic System of the Soviet Zone of Occupation"), Klemens Pleyer and Joachim Lieser, "Centralized Planning and Law," Stuttgart, 1969, p 53.
10. Walter Ulbricht, "The Program of Socialism and the Historical Task of the Socialist Unity Party of Germany," speech to the Sixth SED Party Congress, **SOZIALISTISCHE DEMOKRATIE**, 16 January 1963, insert, pp 46,47.
11. Authors' Collective, "Political Economy of Socialism and Its Application in the GDR," (East) Berlin, 1969, p 697.
12. Klaus Brockhoff and Hansjoerg Buok provide a detailed description of efforts at concentration in the GDR and CEMA in the 1960's: "Economic Concentration and Optimisation of Enterprise Proportions in Socialist Economies. Differences and Similarities with Situation in Western Market Economies," **DEUTSCHLAND ARCHIV**, Vol 3, 1970, pp 225-266.
13. Cf Karl C. Thalheim, "Principal Features of the Soviet Economic System," Berlin, 1962, p 15.
14. V.I. Lenin, "Works," Vol 27 (Feb-July 1918), (East) Berlin, 1970, p 312.
15. Karl C. Thalheim, "Concentration in the Other Part of Germany," Helmut Arndt (editor), "The Concentration of the Economy," Berlin, 1960, Vol 2, p 627.

16. GESETZBLATT, Part I, 1973, No 15, pp 129-141.
17. Authors' Collective, under direction of G. Klinger, "Commentary on Decree on the Tasks, Rights and Obligations of State Enterprises, Combines and VVB's" (East) Berlin, 1975, p 5.
18. Erika Lieser-Triebnigg, "A New Body of Organizational Law for the GDR Economy," DEUTSCHLAND ARCHIV, vol 8, 1973, pp 826.
19. Cf Kurt Erdmann, "Renunciation of the Previous Model of the Economic System of Socialism," DEUTSCHLAND ARCHIV, Vol 8, 1971, pp 827,828.
20. Cf Erika Lieser-Triebnigg, "Commercial Law in the Shadow of Trends Toward Economic Recentralization," DEUTSCHLAND ARCHIV, Vol 4, 1973, pp 358,359.
21. Loc cit (footnote 17), p 119.
22. GESETZBLATT, Part II, 1967, No 21, p 121 (Art 1).
23. GESETZBLATT, Part I, No 15, p 129 (Art 1).
24. The previously cited commentary on the 1973 decree (footnote 17) expressly states that the economic units were "not referred to in legal intercourse by the term 'legal entity' because this term does not reflect accurately the differences in legal status of the socialist organs, enterprises and institutions which participate in economic and legal intercourse" (p 51).
25. Cf Authors' Collective, "Commercial Law for the Study of Political Science," Outline, (East) Berlin, 1978, p 66.
26. G. Klinger, "New Combine Decree -- Most Important Instrument of Economic Management," NEUE JUSTIZ, No 1, 1980, p 3.
27. Ibid, p 4.
28. Cf K.H. Arnold, "What Is the Situation as Regards the Future for the Combines?" BERLINER ZEITUNG, 19 May 1980. There were 37 combines in industry in 1973; 4 years later, there were 43. In 1977, the share of combines in industrial production amounted to around 30 percent. At the beginning of 1979, the 89 combines at that time accounted for around 72 percent of industrial production.
29. According to Art 43 of the combine decree, Arts 34-47 of the decree on VVB's, dated 28 March 1973, remain in force.
30. Hans Tarnick, "Concerning Regulation of the Tasks of Combines and Combine Combine Enterprises," WIRTSCHAFTSRECHT, No 1, 1980, p 8.
31. Art 1 of the combine decree.

32. Cf Manfred Melser, Kurt Erdmann, "Problems of Combine Formation in the GDR -- Economic and Management Aspects," "GDR Combine Formation in Theory and Practice. Management -- Planning -- Innovation," FS ANALYSEN, No 8, 1979, pp 63-65.
33. "Decree on the Procedure for Establishing and Merging State Enterprises, 16 October 1968," GESETZBLATT, Part II, 1968, No 121, p 965.
34. Some general commentaries on the combine decree should be mentioned: "Combine -- Concentrated Strength," NEUES DEUTSCHLAND, 14 January 1980, p 4; G. Friedrich, C. Kroenke, "Combines -- Basis for Higher-Quality Performance," EINHEIT, Vol 12, 1979, p 1266; Heins Martin, "New Combine Decree Helps Improve Management and Planning," ARBEIT UND ARBEITSRECHT, Vol 1, 1980, p 5; G. Klinger, "New Combine Decree....," loc cit (footnote 26), p 2; G. Klinger, "The Combine Decree....," loc cit (footnote 2), p 1; G. Klinger, "The New Combine Decree -- An Important Instrument in Further Improving Management and Planning," STAAT UND RECHT, Vol 3, 1980, p 195 (emended version from WIRTSCHAFTSRECHT, No 1, 1980). In addition, a number of articles on combine problems connected with the new combine decree have appeared since the end of 1979 in the following journals in particular: WIRTSCHAFTSRECHT, STAAT UND RECHT, WIRTSCHAFTSWISSENSCHAFT, EINHEIT, SOZIALISTISCHE ARBEITSWISSENSCHAFT and DIE WIRTSCHAFT.
35. GESETZBLATT, Part I, 1980, No 14, pp 115-117. It supersedes a decree of the same title, dated 17 September 1970 (GESETZBLATT, Part II, No 82, p 573).
36. Hans Tarnik, "Concerning Regulation..." loc cit (footnote 30), p 9.
37. GESETZBLATT, Special Issue 1020 (order dated 28 November 1979); of the advance notice in GESETZBLATT, Part I, 1979, No 42, p 400, containing a breakdown of parts a-q of Special Issue 1020.
38. GESETZBLATT, Special Issue 1021 (order dated 30 November 1979); cf GESETZBLATT Part I, 1980, No 4, p 40. In a departure from the previous practice in issuing "special issues" of the GESETZBLATT, both the "General Guideline" and the "Planning Order" are being sent under a special dispatching system directly to the enterprises, with exclusive use of a special distributor, "the EDP distribution system for official documents; it thus appears that they have been assigned a certain degree of confidentiality.
39. GESETZBLATT, Part I, 1975, No 23, p 408 (and a series of follow-up regulations).
40. GESETZBLATT, Part I, 1979, No 28, p 253.
41. GESETZBLATT, Part I, 1979, No 18, p 156.
42. GESETZBLATT, Part I, 1980, No 1, p 1.
43. GESETZBLATT, Part I, 1980, No 14, p 117.
44. Particularly the following: "Resolution on the Management and Organization of Work in the Area of Prices, 14 February 1980," GESETZBLATT, Part I, 1980,

p 58; and the "Decree on the State Control Powers and Tasks of the Prices Department Manager in State Combines, 14 February 1980," Ibid, p 63.

45. Cf "Better Evaluation of Performances," DIE WIRTSCHAFT, No 3, 1980, p 2.
46. "Conference of the Committee on Commercial Law," WIRTSCHAFTSRECHT, No 2, 1980, p 113.
47. Cf statements by Authors' Collective, "Systematic Economic Management in Socialist Countries," (East) Berlin, 1978; R. Yevstigneyev, "Experiences of the CEMA Countries in Developing Enterprise Forms," SOWJETWISSENSCHAFT, GESELLSCHAFTSWISSENSCHAFTLICHE BEITRÄGE, No 3, 1980, pp 265-272.
48. Cf "Order on the Organization of GDR Economic Planning from 1976 to 1980," GESETZBLATT, Special Issue No 775a, and "Order on the General Guideline for Annual Planning for the Enterprises and Combines of Industry and Construction" -- Guideline, GESETZBLATT, Special Issue No 780.
49. Cf Gert Leptin and Manfred Melzer, "Economic Reform in GDR Industry -- Recentralization Without Plan," DEUTSCHLAND ARCHIV, Vol 12, 1975, pp 1282, 1283.
50. Cf Manfred Melzer, "Efforts Toward a More Effective Use of Capital in the GDR Economy," DEUTSCHLAND ARCHIV, Vol 1, 1979, p 46 ff.
51. Cf "On the Age Structure of Industrial Capital Assets in the GDR," Manfred Melzer, editor -- WOCHENBERICHT DES DIW, No 37, 1977.
52. Thus, Guenter Mittag was forced to note at the end of May 1978 "that sensitive economic disruptions result when, for example, investments in the billions are made outside the plan in this year alone." He proffers as a reason the fact that frequently the initial request is for a small investment, which is enlarged gradually once the project has been started. Cf Guenter Mittag, "Resolutions of the Ninth Party Congress Are Being Consistently Realized," NEUES DEUTSCHLAND, 27-28 May 1978, p 3.
53. GDR scientists point out cases "in which up to 50 percent of the price asked was proven to be excessive through a proper price check." Cf Kurt Mattern and Siegfried Tannhaeuser, "The Capital Goods Economy in the GDR's Socialist Industry," (East) Berlin, 1978, p 220.
54. Cf Klaus Maetzig, Carla Neumann, "The Improvement of Planning and Economic Accounting in Socialist Industrial Enterprises," WIRTSCHAFTSWISSENSCHAFT, Vol 8, 1975, p 1238 f; Georg Ritzsche, Horst Steeger, "Greater Effectiveness Through Effectiveness Planning," EINHEIT, vol 3, 1975, p 283 ff.
55. Authors' Collective, "Management Organization in the Enterprises and Combines," (East) Berlin, 1976, p 368.
56. Cf Gerhard Brendel, Guenter Bode, "Development of World Market Prices in the 1970's -- Trends and Causes," WIRTSCHAFTSWISSENSCHAFT, No 6, 1980, p 711 ff.

57. Cf Erich Honecker, "From the Politburo Report to the 11th SED Central Committee Plenum," NEUES DEUTSCHLAND, 14 December 1979, p 5.
58. Cf Manfred Melzer and Angela Schersinger, "GDR Economic System in Process of Reorganization? -- Economic Leadership Tolerating Increased Debate," VIERTEL-JAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, Vol 4, 1978, p 379 ff.
59. Cf Rudolf Gerisch, Willy Hofmann, "Tasks and Problems of Combine Development Aimed at Increasing Economic Effectiveness," WIRTSCHAFTSWISSENSCHAFT, Vol 2, 1979, pp 129,130.
60. Karl Hartmann, "Great Responsibility of the Combines," DIE WIRTSCHAFT, No 9, 1978, p 5.
61. Cf Gerhard Scholl, "Problems of Further Improvement of Planning as Related to the Evaluation of Enterprise and Combine Performance and the Further Improvement of Economic Accounting," WIRTSCHAFTSWISSENSCHAFT, Vol 11, 1978, p 1324 f.
62. Cf Willy Hofmann, "Centralization of Functions in the Combine," DIE WIRTSCHAFT, Vol 10, 1979, p 16.
63. "The Manager and His Work in the Socialist Industrial Enterprise/Combine (Conference Report)," WIRTSCHAFTSWISSENSCHAFT, Vol 6, 1980, p 749.
64. "From the Politburo Report to the Eighth SED Central Committee Plenum," NEUES DEUTSCHLAND, 25 May 1978, p 4.
65. Guenter Mittag, "Use Advantages of Socialism To Achieve Greater Effectiveness," NEUES DEUTSCHLAND, 26-27 August 1978, p 3.
66. Cf Art 2 and Arts 12-17 of the new "Decree on the State Combines, Combine Enterprises and State Enterprises," loc cit (footnote 1), p 355 and pp 357-359.
67. For instance, the chemical industry is to make better use of petroleum and natural gas by refining these products to a greater degree; in ferrous metallurgy, steel metals are to be made less susceptible to corrosion through galvanization and coating with paint and/or plastics; the nonferrous metallurgy industry, for example, is to save precious metals by improving the prefabrication of components used in electrical engineering. It is generally anticipated that the metal-processing industry will achieve savings in materials through more efficient prefabrication processes, also in pre-production phases. Cf Helmut Kosiulek, "More Advanced Processing of Raw Materials," EINHEIT, Vol 6, 1980, pp 589,590.
68. Cf Herbert Kroker, "Our Combine in the Struggle for Scientific-Technical Progress," EINHEIT, Vol 6, 1980, p 581 ff. See also Gerd Friedrich, "Organize the Use of Science and Technology with a Goal in Mind!", EINHEIT, Vol 6, 1980, p 576 ff.
69. Bert Huber, "Pulse of the Times," Berlin Radio, 20 March 1980.

70. For details, see "With the Power of the Combines for a Further Major Rise in Production," (East) Berlin, 1980.
71. NEUES DEUTSCHLAND, 22-23 March 1980, p 3.
72. NEUES DEUTSCHLAND, 24 March 1980, pp 1 and 3.
73. Claus Kroemke, "The Socialist Manager and His Social Charge," EINHEIT, Vol 6, 1980, p 572.
74. Product group work constitutes cooperation -- according to specific stand-points -- or a division of labor among enterprises which manufacture similar products and/or employ the same technologies.
75. Walter Burian, "Deliberations on the Status and Further Development of Branch Management in the Management System of Socialist Industry in the GDR," WISSENSCHAFTLICHE ZEITSCHRIFT DER HOCHSCHULE FUER OEKONOMIE, Vol 3, 1978, p 105.
76. They are all shown in the chart.
77. Cf Manfred Melzer, Angela Scherzinger and Cord Schwartz, "Is the Formation of More Combines Making the GDR Economic System More Efficient?" VIERTELJAHRSSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, Vol 4, 1979, p 369.
78. Thus, for example, machinery combines have their own foundries, the shoe industry has its own leather production facilities, metallurgy its own power plants and the electronics industry its own facilities for glass production, while electronics for ships was transferred to the shipbuilding industry.
79. Thus, for example, chemical installation construction is represented in both the Ministry for Chemical Industry (Leipzig-Grimma Chemical Installation Construction Combine) and the Ministry for Heavy Machine Construction and Installation Construction (Ernst Thaelmann Heavy Machine Construction Combine in Magdeburg).
80. Cf Manfred Melzer, Kurt Erdmann, "Problems of Combine Formation in the GDR," loc cit (footnote 35), pp 39-42.
81. With regard to cooperation with CEMA countries, the combine has the following rights and responsibilities:

"The right, jointly with the foreign trade enterprises, to submit proposals and suggested solutions for economic and scientific-technical cooperation;

"The responsibility to assure systematic fulfillment of obligations resulting from international commercial contracts and contracts under international law;

"The responsibility to coordinate the development of research and production with the responsible partners in the CEMA member states and to organize exchanges of experience;

"The responsibility, jointly with the responsible foreign trade enterprise, to conclude with partners in the CMEA member states commercial contracts covering production cooperation and specialization." Cf Guenther Klinger, "The New Combine Decree..." loc cit (footnote 26), p 199, [and footnote 34].

82. In addition, the minister may delegate his rights and duties to the combine management, confer with this body on important matters and prepare economic policy decisions (Art 4).
83. Cf Hans-Ulrich Hochbaum, Gerhard Siefarth, "Concerning the Management and Organisation of Large Industrial Combines," WIRTSCHAFTSRECHT, Vol 4, 1978, p 216 ff.
84. Cf "On the Systematic Development of Socialist Production Conditions in the Continuing Process of Structuring the Developed Socialist Society in the GDR," "On the Systematic Development of Socialist Production Conditions," 23rd Session of the Scientific Council for Economic Research, 1 November 1977, Essays of the GDR Academy of Sciences, W 3, 1978, (East) Berlin, 1978, p 9.
85. NEUES DEUTSCHLAND, 12 February 1979, p 2.
86. Cf Karl-Heinz Kuehnau, "Central Management and In-House Responsibility -- Union of Management and Initiative," STAAT UND RECHT, Vol 1, 1979, p 13.
87. "The Television News Conference," GDR Television II, 6 November 1978 (RIAS Monitoring Service).
88. Cf Erich Honecker, "Toward the 30th Anniversary of the GDR," NEUES DEUTSCHLAND, (ND), 28 April 1979, p 4.
89. Cf Authors' Collective, "Basic Questions of Socialist Economic Management," (East) Berlin, 1979, p 182. Or a summary of statements from this work, by Kurt Erdmann, "On the Role of the Industrial Ministries in the GDR Reorganization," FS-ANALYSEN, No 5, 1979, pp 17-28.
90. Ibid, p 16.
91. Ibid, p 169.
92. Combine decree, loc cit (footnote 1), p 356.
93. E. Kuehn, R. Leissing, W. Salecker, "Agenda and Focus of the Fourth Session of the Joint USSR-GDR Economists' Commission," WIRTSCHAFTSWISSENSCHAFT, Vol 11, 1978, p 1355.
94. Gerd Friedrich, Claus Kroemke, "Combines -- Basis for Higher-Quality Management," EINHEIT, Vol 12, 1979, p 1274.
95. Wilhelm Panzer, "The Contract Law Textbook and the Substance of Commercial Law," WIRTSCHAFTSRECHT, No 1, 1980, p 23.

96. Joachim Kaden, "Economic Problems in the Formation and Activity of Large Economic Organizations in the People's Republic of Poland and State Combines in the GDR," WIRTSCHAFTSWISSENSCHAFT, Vol 4, 1980, p 485.
97. Gerd Friedrich, Claus Kroschke, loc cit (footnote 94), p 1272.
98. Cf Ursula Gabler, Erich Wichler, "Production Programs as Means of Managing and Planning Enterprise and Combine Production Which Is Effective and Satisfies Demand," WIRTSCHAFTSWISSENSCHAFT, Vol 5, 1979, pp 562,563.
99. Cf Wolfgang Foerster, "The GDR Economic System After the Early 1970's. Consequences for Industrial Management" -- Bruno Gleitsch, K.C. Thalheim, Hanna-Joerg Buck, Wolfgang Foerster, "The GDR Economic System After the Early 1970's," Berlin, 1971, p 112.
100. Ibid.
101. Cf the same authors, "Structures of Soviet Enterprises in Theory and Practice," "University Days, 1961," publications of the Berlin Free University. "Marxism-Leninism, History and Form," Berlin, 1961, p 209.

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TRADE WITH DEVELOPING COUNTRIES DESCRIBED

Budapest FIGYELO in Hungarian No 42, 15 Oct 80 p 9

[Article by Arpad Orosz: "Trade with the Developing Countries, In Terms of Market Concentration"]

[Text] Our commercial relations with developing countries has increased dynamically in recent years. Our exports in 1979 came to 739 million dollars and our imports to 655 million dollars. It is in our interest to continue expanding economic relations with developing countries that assure favorable markets. Therefore it is a requirement that we shape economic cooperation in harmony with the characteristics of the partner developing countries and our domestic development tasks.

Proceeding from the increasing world economic role of the developing countries and the task of expanding nonsocialist exports, it is a realistic requirement that the long term rate of increase in mutual trade should exceed the average growth of our foreign trade. It is advisable to purchase a decisive share of those raw materials and energy sources on these markets which cannot be acquired from socialist countries. We must increase the imports of semifinished and finished products for the processing industry from developing countries, and simultaneously we must achieve a rapid rate of increase in our exports, primarily machine and food industry goods.

In the past decade, the Hungarian People's Republic maintained commercial relations with more than 80 developing countries. This led of necessity to where the scope of our activity-- --as compared to the performance capability of the Hungarian economy-- --proved to be too broad and unconcentrated, and the number of markets offering significant trade was small. This inevitably raised the question of establishing greater stability in the trade conducted with developing countries.

In Exports

Considering our limited resources available for developing economic relations, it is a realistic goal for our foreign trade policy to work for greater differentiation, for concentration of the material means available, and thus for increased effectiveness of economic relations. On this basis we were able to increase our exports primarily to rapidly developing countries (e.g., Iraq, Kuwait, Libya, Algeria, and Iran) which are located nearby and have the ability to pay. Here the prospects for expanding economic cooperation on the basis of mutual advantages are good, and in most cases the political relations also afford security for the development of foreign trade.

In these countries we can best increase our machinery deliveries and develop new markets for our agricultural and food products. In these markets the more burdensome, for us, elements of economic relations (like the ratio of deliveries conducted with credit extension) could also be reduced.

At the same time in these markets the competition among suppliers for meeting demand with ability to pay has increased, as well as the demands of the partners, and in some cases unfavorable trends may have developed for ourselves.

As a result of the greater differentiation and concentration of trade, Iraq, Syria, Kuwait, Iran, India, Libya, Algeria, Nigeria and Brazil have become our most important partners. In the past several years we have conducted with these countries more than two-thirds of our foreign trade with developing countries.

Table. Export, at contract parity, in million dollars

	1974.	1976.	1979.
1) Iraq	88.8	109.8	187.8
2) Syria	38.7	71.6	98.2
3) Kuwait*	35.8	54.9	83.7
4) Iran	81.9	57.3	37.6
5) Libya	11.9	88.4	48.8
6) Algeria	33.5	49.8	48.8
7) Nigeria	7.3	34.9	33.8
8) India	28.3	18.9	31.1
9) Brazil	5.3	14.6	28.9
Nyolc ország összesen:	292.7	428.8	812.1

Key:

1. Iraq
2. Syria
3. Kuwait*
4. Iran
5. Libya

11) Teljes kivitel

12) a fajiódó országokba 489.8 584.1 738.8

* Exportumok Kuvaitba, a Szahar-Arab Emírátsokba és az Egyesült Arab Emírátsokba irányuló kivitel értéke a területre.

6. Algeria
7. Nigeria
8. India
9. Brazil
10. Total for 8 (sic) countries

11. Total exports to developing countries

12. *Includes the value of exports to Kuwait, Saudi Arabia and the United Arab Emirates.

The most important export markets change from time to time. Their designation simply means that with these countries we have developed permanent market relations and it is in these places that we achieved our best results, and in the interest of further development in these countries we shall concentrate the various factors of economic cooperation production cooperation, mixed enterprises, and certain elements of technical scientific cooperation. (In 1972 the value of exports to these nine countries scarcely exceeded 80 million dollars and made up 43 percent of our exports to developing countries; as a result of rapid growth, the share of these nine countries in our exports came to 73.4 percent in 1976 and 69.3 percent in 1979.)

During the past several years, Hungarian exports to the developing countries have been transformed and the share and importance of the Near Eastern countries that export petroleum, as well as of certain African Arab countries, increased. The foreign trade enterprises turned to good account the new situation that developed after 1972 in the petroleum exporting countries, and adjusting to the increasing demand they increased deliveries to those countries.

The importance of the above mentioned nine countries is also expressed by the fact that in the past 3 years we sold them more than 80 percent of the machine exports to developing countries. It was also here that we developed the new buying market for our agricultural and food products, which is indicated by the fact that in 1976 a total of 67.8 percent of our agricultural and food products to developing countries went to these markets, in 1978 a total of 77.2 percent, and in 1979 a total of 84.4 percent.

Several conclusions can be drawn from all this. Among other things it can be stated that our foreign trade has made good use of the possibilities in export deriving from changes in the world economy. The conscious orientation of our exports and an appropriate production development policy have made it possible for us to stabilize the results we attained, and in fact develop them further. The value and importance of the export results is enhanced by the circumstance that the formation of an active balance has become possible and the demand for credit is small as compared to the dimensions of the export.

In Imports

In recent years imports from the developing countries have also been strongly concentrated. The role of five developing countries, Brazil, Iraq, Iran, Nigeria, and India, has grown significantly. The value of our acquisitions from the above-mentioned countries rose more rapidly than total imports from the developing countries. The value of imports from the five countries was 267 million dollars in 1976 and 386 million dollars in 1979. Brazil, Iraq, Iran, Nigeria and India have supplied in recent years about 60 percent of our imports from the developing countries. It was from these countries that we received 100 percent of our petroleum purchases and considerably more than 60 percent of our agricultural and food product imports. Consequently, the transformation of the markets also took place in imports.

Under the Fifth Five-Year Plan we started the rational concentration of our foreign market activity on markets affording possibilities for favorable trade. The selections have proved correct. In addition to the above named countries, the following are also of importance to us: Egypt, Lebanon, Pakistan, Angola, Mexico, Argentina, Venezuela and Jordan. Over the medium term, Indonesia, Malaysia and Thailand may provide considerable markets for us. Under the Sixth Five-Year Plan the concentration of trade with the developing countries will be moderated in all certainty, and there will be about 20 to 22 markets on which we will be able to conduct a considerable amount of activity.

Machines and Food

In the growth of Hungarian export under the Sixth Five-Year Plan, the machine industry as well as agriculture and the food industry may receive a bigger role.

In harmony with the development directions of the machine industry the following may be taken into account in the growth of machinery industry: elements of public health systems, complete hospitals, medical equipment; educational systems, complex agricultural, water management and food industry facilities, telecommunications system elements, which include telephone centers, transmission technology and terminal equipment, amplifying chains, and microwave equipment. Other possibilities may also be used for the development of machine industry exports. Thus, among other things, a demand is evident for bauxite-alumina and aluminum industry equipment, and we can

count on supplying equipment for power works. In supplementing the export of buses we can also take into account assembly plants, and complete maintenance and repair plants. We are counting on the export of light bulb manufacturing and medical industry equipment. We are also planning to export complex communication and guidance technology systems for gas and oil pipelines to various markets.

To establish the basis of our machine industry exports we need to occupy ourselves with the development of several well selected areas like complete facilities, factories, plants, plant parts, manufacturing systems, autonomous production lines, repair and service plants for which, according to our experience, there promises to be a lasting demand on our most important markets.

The most important buyers for our agricultural and food industry products are certain petroleum exporting countries, Kuwait, Saudi Arabia, United Arab Emirates, Libya and others. Export development requires a continuous market presence and the strengthening of market research and discovery activity. A dynamic increase in the export of agricultural and food industry products requires significant efforts from both the producer and foreign trade enterprises, more flexible adjustment to special demands and greater undertaking of risks.

In the development of our imports the developing countries may be regarded as important acquisition markets in the future also for petroleum, iron ore, copper, tin, raw phosphate, raw cotton, wool, raw cowhides, coffee, cacao, fodders of plant origin and other semifinished and finished industrial products and consumer items.

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DISCUSSION OF FIVE-YEAR PLAN VIEWED

How Scholars View It

Budapest FIGYELO in Hungarian No 41, 8 Oct 80 p 3

[Article by I. W.: "As the Scientists See It"]

[Text] The expanded session of the presidium of the Hungarian Academy of Sciences [MTA] was an important stage of the social debates of preparing for the Sixth Five-Year Plan. Janos Joos, state secretary for the National Planning Office [OT] spoke in his introductory remarks about the present state of the planning work and about the significance of the Sixth Five-Year Plan. He emphasized that the Sixth Five-Year Plan is open in character, which makes it possible to conform to the changing conditions. The economic policy obligation of the plan being prepared is also much more strict than before because the pressured ways which have developed in the people's economy are forcing us in these directions. He also indicated that during the plan's time period we will have to minimize our use of external resources, and the standard of living will have to be preserved. It follows from this that the basic and sole reserve of growth is the intensive and efficient economic operation, increasing labor productivity, and rational organization of material and energy management.

It will be necessary to work out a few programs of key significance in the plan. For example, the programs of energy saving and waste material recycling, centrally managed technological development of production, measures for frugality in public spending and housing construction, elementary education and health care programs which will affect the infrastructure. He especially emphasized the significance of the medium-range scientific plan for scientific research for reaching the goals of the Sixth Five-Year Plan.

Requested by the government, the MTA's presidium worked out a written opinion and suggestions about the plan's conceptions. Academician Kalman Szabo, chairman of the working committee organized for this purpose, spoke about its content. The working committee considers guidelines of the Sixth Five-Year Plan to be a significant step forward in planning work also from viewpoint of methodology and content, and accepts and supports its main goals. He emphasized that, thinking also of the time period after economic equilibrium will have been achieved, the technological development concepts and innovational ideas which will determine the longer range economic growth will have to be developed. The majority of observations and proposals cover the interrelationships of the National Medium-Range Research and Development Plan [OKKFT] with the Sixth Five-Year Plan.

Interpretation of Economic Equilibrium

The most important ideas voiced in the comments contained the interpretation of economic equilibrium, and its implementation in the plan, as well as the possibility and necessity of coordinating the medium-range and long-range development ideas; laying down the foundations of the system of social consequences of the plan's goals and the sensitive points of this; completeness of the action campaign programs and their main directions; concrete reflection of the world's economic conditions in the plan's materials; the tasks of establishing and developing progressive technology.

The speakers agreed that the main goal is to arrive at equilibrium. However, during the course of interpreting what that means, differing ideas were voiced. One person commented that reestablishing equilibrium must not limit implementation of the vitally important tasks of economic development because this would further increase the distance by which we lag behind the forefront of international development. He proposed that efforts should be made over a longer period of time and at a slower rate to create economic balance. Another person commenting claimed that economic balance must be handled on two levels: with slow growth when the structural change must be accomplished. He considered this a forced but necessary path, and then at a rate consistent with dynamic growth. Many commented that the efforts to create equilibrium must be accompanied by noticeable improvement of quality, the conditions of which today are not yet satisfactory. The efforts for organizing the best management of resources must be strengthened and the conditions regulating this must also be organized better than before, so that it should really be possible to increase the efficiency of production. The debate's participants suggested that in the future the plans of enterprises and councils should receive greater significance in shaping the economic policy goals contained in the national economic plan. The independence of economic operating organizations will have to be increased in this area also, improving the quality of planning work. This can be one of the assurances that the activities of economic operating organizations will be in better and better harmony with the alltime requirement system of regulation, and that these will be able to flexibly conform to the changing economic conditions.

The National Economic Plan and the People

In connection with the social requirement system of the Sixth Five-Year Plan, scientists emphasized from many angles that the plan's people-centered character must be strengthened. They pointed out that holding the level of real incomes can be considered only as a contingency goal, [but] if the conditions of economic balance and work make it possible, progress must be made in this area also. They suggested that studies must be conducted about society's sensitivity. It must be found out how it can be correctly influenced without fundamental violation of the sense of fairness. Much emphasis was placed on some tasks in the infrastructure, to develop it possibly faster but mainly more selectively (public health care, child care, etc) than the growth rate of the national income. More attention to the family's economic role was also discussed.

Several people mentioned that more attention must be paid to increasing the productivity of intellectual work and to providing incentives for it, to selecting

the scientific and technological managers, to encouraging and supporting the enterprising type of people.

Attention was called to developing the plan and the economic policy goals by relying even more on the energies latent in community activity. Many comments were made suggesting additions and specifications of the priorities defined in the plan. Mentioned were, among other things, the tasks of raw material management, protection of agricultural land and the household plot opportunities related to this. [There were comments about] more refined use of the hydrocarbons, development of gene chemistry, improvement of the agricultural machinery production, etc. There was a comment according to which the plan's economic policy concept has the character of resolution and this is not sufficiently reflected in the specific action programs, and when the plan is ultimately defined these must be without a doubt better determined.

Some of the comments covered the predictions concerning world economy and the international technological-scientific growth. They emphasized that the effects of these will appear in the plan's material, but they mentioned that such a document of informative value should also be included in the material of planning work.

Representatives of the technological sciences spoke harshly of the fact that in our country the introduction of progressive technology is still running into significant obstacles and this is a serious circumstance from the viewpoint of creating our competitiveness in a world laden with crises. What is needed in this area is not bigger investments but smarter management. Care must be taken to also strengthen the personnel conditions for this, because the opinion is that certain signs of devaluation can be observed in our technological intellectuals.

The conferences' participants thought highly of that effort of the government to involve practically the entire society in the complicated activity of planning, including the representatives of science. Academician Janos Szentagothai, the MTA's chairman emphasized that the Academy far-reachingly supports the government's goals concerning the Sixth Five-Year Plan, and assured the planners of science's constant and active support.

Deputy prime minister Lajos Faluvegi, the chairman of OT answered the questions which were raised. He said that the government builds on the close cooperation between science and the economic management, not only in preparing the plans but also in implementing them. He said that the government will evaluate the action proposals the Academy offered for working out the Sixth Five-Year Plan and will build them into the plan.

How Enterprises See It

Budapest FIGYELO in Hungarian No 41, 8 Oct 80 p 3

[Article by Gy. V.: "(and) As the Enterprises See It."]

[Text] Requested by the government, the presidium of the Hungarian Chamber of commerce also debated the guidelines of the Sixth Five-Year Plan. Gyula Kovacs, deputy chairman of Of also participated in the debate.

Several of the people commenting mentioned that the open debate was being held a little too late because decisions have already been made in a number of basic questions of the medium-range plan.

One important circumstance must be taken into consideration, that the degree of freedom of planning work and the economic policy's maneuvering ability is at the present time being restricted by some quite severe conditions. These are: the opportunities within CEMA, namely the import opportunities, the loans from abroad which we can finance, and the requirement of maintaining the standard of living which we have achieved. The viable economic policy concept will have to take into consideration these three limiting factors, the characters of which can be considered as objective.

Because of this, fewer development resources will be available than in the past, and the national income's demand for import will have to be moderated in such a way that 1 percent increase in the national income will be followed by about 1 percent increase in exports. This can be accomplished first of all by increasing the value-added content of production (which includes the utilization of imports). Preconditions for this are modernization of the product structure, decreasing the specific material and energy consumption and improving the marketing.

The Importance of the Domestic Market

According to some opinions the plan concept starts out from a not sufficiently realistic evaluation of the present situation and of the situation of the enterprises. This does not change the fact that the plan's basic direction is right, and the majority of those commenting shared this position. The guidelines unevenly treat the development strategies of the individual branches and subbranches of the national economy.

The plan stresses improvement of the foreign trade balance and emphasizes export orientation and improvement of the foreign market situation as the main method of this. While recognizing the unconditional correctness of this priority, we were reminded in the debate that, in the past similar situations and difficulties have developed on the domestic market. Increasing the ratio of export in production and limiting import opportunities more may again cause difficulties in fulfilling domestic demand. Attention was called to the fact that together with the slow growth of domestic consumption, the structural composition and selection of supply have increased significance. Under such circumstances a decrease in selection causes a greater degree of dissatisfaction feelings than in the case of the faster rate of increase in the standard of living. The significance of the domestic market must not be underestimated.

According to some of the comments, efforts must be made in the work of the enterprises, first of all to efficiently exploit the existing opportunities, because this is the precondition for not stopping the growth of the national economy in spite of the slowdown in quantitative growth. Technological development will have a big role, but in this we will have to concentrate on product development requiring less equipment, rather than on manufacturing developments.

The economic policy's limiting factors also affect the activity of the enterprises, and do so in the sense that they often hinder the cutback or elimination of

unprofitable production. Contrary to the enterprise's intentions and interests, continuation of the production of certain products is often necessary in the interests of the national economy.

Regrouping the Means

Numerous comments emphasized that modernizations of the product structure requires continuous growth, but now those are the very enterprises in a difficult situation which grew dynamically in the past. These enterprises, or the majority of them, due to their loan repayment obligations and to the changed regulatory conditions, have lost their ability to obtain credit and cannot continue to modernize their product structures, or can do so only at a slow rate.

The suggestion was made that greater opportunities must be created for regrouping the means among industrial branches and among enterprises, and in order to activate this. Perhaps it would be expeditious to also examine the possibility of using interest conditions which provide better incentives. Attention was called to the basic benefit possibilities and to taking advantage of the opportunities concealed in the recently established Interinvest. This undertaking could be the beginning of forming additional investment companies [sic].

Some comments mentioned that in the period of consumption's slow growth rate it is especially important to increase the flexibility of commerce. But in this sphere the enterprising opportunities are very limited even though it is commerce which is in direct contact with the consumer, the market, and thus its reaction also could be quick. But the commerce's means are insufficient for enterprising, for example for industrial production.

The proposal was also made that not only the income derived from export, but the enterprise's total income should be the source of repaying high risk export-developing investment loans. It is important for the enterprises to be able to count with some degree of certainty on the effects of income regulation.

Implementing the requirement of normativity was [also] the topic of discussion. According to some opinions the normative requirements expressed in price and income regulation cannot be applied to all industrial branches. According to the opinion of others the condition of differentiation and selective development is the very implementation of normative requirements. Relaxing normativity and obtaining preferential considerations would have the consequence of again having to shortchange the dynamic enterprises, that is, the ones which have the resources and which require even larger resources in the interest of supporting the less efficient enterprises.

The risk of exporting has increased as a consequence of using the flexible exchange rate policy, because months may elapse between delivering the merchandise and arrival of the payment for it and in the meanwhile there may even be several changes in the foreign currency exchange rates, in practice upward revaluations of the forint. It would serve to minimize the disadvantage or risk of loss deriving from this if the so-called factoring were introduced, as was proposed. The essence of this activity is that the financial institution would purchase the enterprise's account receivable demand after subtracting from it certain interest and risk fees; thus the enterprise would then in essence be able to receive the value of the goods sold at the time delivery is made.

The Chamber's debate provided ample room for discussing cooperation between the producing and the foreign trade enterprises. It was mentioned that implementing the producer's presence on the market assumes the further expansion of export rights and also the development of forms of association. There is a need for a variety of enterprise- and entrepreneurial formats in conformance to the characters of the merchandise and of the market.

That part of the guidelines dealing with modernization of the enterprise organizations was also a topic of debate. The breaking up of certain trusts and major enterprises, or making some of their departments independent was criticized, saying that this generates uncertainty and the manufacturing experience accumulated in the major enterprises cannot be used to the best advantage.

Others have pointed out that experience shows that the economic advantage of major enterprises over the smaller enterprises cannot be proven.

It is expeditious to break up those large organizations which did not implement the concentration of resources and which form a unity only from the administrative and management viewpoint. The methods and opportunities of setting up small enterprises and its economic, institutional and legal conditions must be worked out as soon as possible. In the opposite case the wish of establishing small enterprises will remain only a wish. For example—as some people suggested—it would be expedient to examine the possibility that large enterprises should also be able to set up small enterprises.

The internal organizational development of enterprises justifies the strengthening of independent accounting by the profit centers of factories and plant locations. But this effort of the enterprises is greatly hindered by the financial record keeping and accounting regulations now in force, as was pointed out in the debate.

Those commenting on the regional development policy approved of the intent expressed in the plan, that the population's migration into the cities must be moderated. In this connection the practice was criticized, according to which the megye organs take away the municipal and town contributions paid, respectively, by the enterprises and producer cooperatives.

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GUIDELINES FOR ECONOMIC REFORM DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 41, 12 Oct 80 p 6

[Article by Barbara Wisniewska and Marek Misiak: "Approaches to Reform"]

[Text] The first meeting of the members of the ZG [Main Administration] of the Polish Economic Society, working on the report on the directions of economic reform in Poland, took place on 7 July 1980. At that time it was decided that the basic guidelines of reform should be to give a strategic nature to central planning and to increase the independence of enterprises. Proposed changes in organizational, management, financial and price structures, and planning methods, must be subordinate to these guidelines. As a result of this meeting the president of the Polish Economic Society [PTE] used letters to contact one hundred well-known specialists, teachers and practitioners, with a request for the writing of a proposal for changes in the individual elements of reform. The file with the proposals sent in numbers around 1,000 pages. The events of August and September intensified work on reform under the conviction of its extremely urgent need in the face of the economic crisis and the dissolution of ties between the government and society. Therefore a second meeting of the members was held on 15 September to discuss these guidelines, with due consideration of the most recent experiences.

The PTE chairman, Prof Jozef Pajestka, chaired the meeting. At the beginning he thanked the members of the committee for the proposals they had sent in. Prof Jan Mujzel presented a broader substantial introduction to the discussions.

As J. Mujzel stated, the current situation contains three new elements important for economic reform:

- the position which the personnel in factories have attained;
- a deep process of restoration which has begun throughout the social and economic life of the nation; and
- the rise of considerably more purchasing power in the economy, with simultaneous production restrictions and, among other things, deep economic disproportions along with obligations for holding prices, presents the economy with an unusually difficult situation.

In addition to taking advantage of foreign credits under these conditions, the economic policy must adopt a course of shifting the production apparatus and scarce material resources from investment to supplying the market and exports wherever possible. This situation also results in essential conclusions for the content and scope of economic reform.

First of all there must be authentic progress in management efficiency. Society and factory personnel are not going to, will not and cannot tolerate a condition in which there is a lack of progress in efficiency for a long period of time.

Secondly, changes in our social relations will create a new situation for labor and decisions reforming the economy. It is obvious that these decisions are extremely difficult, and not only and not mainly from the technical and economic point of view, although this is very important. An unusually strong correlation is developing between the reform and the functioning of the economy and the role and position of individual community, plant, industrial subbranch groups and other groups. Such a situation engenders tremendous resistance to all changes which are thoroughly definitive and consistent. Mobilization of the conservative forces against progressive reforms is a natural phenomenon for Marxists.

However, the new social situation creates certain premises in this field. We may definitely count on the fact that changes which have occurred and are occurring in the form of democratization of our social relations will create conditions and forces capable of breaching the previously insurmountable resistance and barriers.

Third, the matter of participation is becoming a key factor. The problem discussed even in the economic community for years, between the proponents of so-called managerial orientation on the one hand and those of freedom of action on the other, has been decided by life itself. Today there are no real possibilities for an evolution of our system to take place in Poland except through participation. The processes taking place in the trade-union movement resolutely establish in the order of the day the need for an intense formation and development of various forms of share and participation of workers in the management of the economy. This involves both representative institutions and autonomous institutions in factories, as well as in the Sejm and people's councils.

Then Prof Mujzel discussed the means and instruments of central management of enterprises and other economic organizations. The situation with respect to management by directives has always played a substantial role in the evolution of the system of the functioning of the economy. Therefore it is not possible to follow the path of systems changes except by increasing the autonomy of enterprises and other economic organizations, and thus putting definite limits on directives for planning and management. However, at the present time the economic policy must implement every resource and instrument to counteract the tottering of the balance and supporting improvement in the market situation and limiting the inflationary gap. This should be assisted by a change in the previous climate of relations between the government and society. Some emergency solutions must also be anticipated, because otherwise no concept will be able to stand confrontation with life. Thus, while assuming benefits from the instrument of central management, which directives are, during a period of transition, there must also be intensive and simultaneous preparation of conditions for reform.

1. Mujzel presented three tangible matters from this viewpoint, the first of them being called by mutual agreement the problem of price activation. This means that inflationary pressure can appear in different ways and that efforts must be concentrated mainly on counteracting its most destructive forms, reducing confidence in pro-efficiency activities and blocking the road to systems changes. Therefore there must be a broad presentation of possibilities and solutions which will allow the inflationary processes to be given the nature of "civilized" inflation. This cannot be achieved without price activation, despite social barriers in the previous management system.

The second problem involves the regulation of distribution (materials, raw materials, products) usually associated with directives for production and supply. These are the basic instruments in the traditional system of the functioning of the national economy. Preserving these directives may completely block progress in reform in both central planning and in methods of management of economic organizations. In the opinion of Prof Mujzel, a solution to this problem will help identify indispensable areas for regulation. Here there is a great deal of inertia, routine and habit which can completely smother any progress. Therefore a critical and selective relationship is necessary with respect to every directive instrument and form of regulation used. The time horizon of these directives is closely associated with this matter, since regulation does not have such a ruinous effect on the efficiency of an economic organization where the time horizon for using directives has been successfully extended. This involves the degree of stability in supply for, let us say, the course of a year.

The third problem is the incentive system. How can regulation of incentive for efficiency be introduced into the new system? It is undoubtedly possible to make some improvement in indices so that they do not destroy motivation or efficiency on the same scale as in the past. But how can this be done under conditions of a lack of equilibrium?

In the opinion of J. Mijzel an alternative regulation can become a kind of monopsony based on a producer selling scarce products through one sales organization or one commercial organization. In this way the latter would become a monopsony of placing orders, coordinating assortment and so on. In many cases this could significantly limit the area of regulation and simultaneously guarantee effective central control.

However, formulations connecting wage funds with efficiency will probably lead to some kind of evolution from the so-called increment formula to a share formula. Wider application of this depends on price arrangements, proper formation of the financial system and strengthening the developed system of autonomy. This will mean that the entire fund developed for consumer and developmental purposes will remain at the disposal of the personnel and economic organizations. The share of the state in the income prepared (including collective consumption) would be realized by means of suitable financial instruments. The latter (taxes, credits and so on, not to speak of prices) would also be instruments employed flexibly to realize the central plan.

Despite differences of opinion in many individual matters and various approaches to their solution, the participants in the discussion evaluated the system up to now very critically and unanimously supported authentic reform of the economic system and the need to put it into force as rapidly as possible. The need for rapid, although well prepared, fundamental changes was closely related to the current situation in the country, and the restoration of social confidence in the government was recognized as one of the major necessary conditions for the success of the reform, thus confirming the opinion of J. Mijzel on the complexity and difficulties of this task. They stressed that emergency action preceding the reform and systematizing the economy could have great significance in restoring confidence.

The point of departure in work on the reform should be acceptance of matters dealing with labor and enterprise autonomy.

In this respect the representatives of the industrial and academic communities adopted a similar stand. Let us first listen to the representatives of industry:

T. Migdal stated: "I am one of those who conduct talks with enterprises. Thus I know just how difficult things are because 'we have directed' the thoughts of society toward what should be done, but without pointing out that what should be done is what we are managing economically."

One condition for achieving relatively rapid improvement in the economy is assuring the personnel of an effect on results. However, T. Migdal stressed that this matter is associated, among other things, with changes in the central planning system which assure cohesion in indices at all planning levels. "Without this there is no basis for starting to make changes."

T. Migdal asserted that a new organization is needed from top to bottom. It is not possible to organize enterprises and associations wearing the same hat, because again inconsistency may develop between organizations of the central authorities and lower organizations. Let us recall that attempts made to modify the system have fixed responsibility for a few or a larger number of indices prescribed by directives. At this time there are already over one hundred of them. And there is no way "of interpreting" such a large number of indices prescribed by directive in language understandable by the members of the KSR [Workers' Self-Government Conference].

T. Jaworski said: "The incentive connection is undoubtedly the factor in the effectiveness of the system. Therefore model solutions and the matter of participation must be taken together. An increase in the self-government of economic units constitutes the first condition for systems solution, while the second is based on the fact that these solutions must somehow 'force' the participation of personnel in management. This is why there must be a clear definition in the model solutions of both the role of the management of economic organizations and the role of the representative organizations of personnel. A knowledge of the model solutions and of the mechanisms determines the share of personnel in applying the system."

L. Balcerowicz conceived this problem in a different way. He stated that the position in the reform projects discussed by J. Mujzel (prepared in the Planning Institute), with its strong emphasis on directives and its weak one on enterprise independence, is disquieting. A condition for reform to succeed, regardless of preparing a good project, is devising an economic policy to achieve at least a relative market balance. But with an extensive application of directives, that is, an instrument proper for a directive-type administrative system, it is easy to justify preservation of developed structures of administration known, among other things, from subbranch-ministry orientation. But are these structures capable of renouncing, for example, certain investments? As is well-known, they have a great effect on the situation in the market and in exports. It is necessary to determine whether what only appears to be a technical problem, of the selective investment type already mentioned, is not more deeply conditioned by ramifications in institutional structures. Changes in them can indeed be spoken of in the sense of reducing the number of industrial branch-type ministries or their personnel. But this is not the point. The basic condition for "nongovernment" influence is a lack of total dependency of an economic organization on the center. From this point of view changes in an economic organization are secondary. On the other hand, changes in the key link, in this case in the central administration, is of essential significance. This is the leading link on which most others depend.

It is possible to limit nongovernment influence on economic organizations from the very moment of arranging the economy before the reform. L. Balcerowicz acknowledged that many directives can be replaced by activities of a different type, for example, government contracts and agreements. In exchange for certain obligations from economic organizations, of the type

of changing the production or assortment structure, central organs can guarantee an economic organization definite financial resources based partially or completely on the rate of return.

Recalling well-known cases from the past, often mentioned in this proposal was the conclusion of contracts between central organs of state or economic administration and enterprises. The discussions emphasized that the experience of other socialist countries (for example, Hungary) support a reduction in directives. These and other difficulties well known to us (in supply for example) will not be solved mainly by reducing the number of directive indices, but by devising activity to reduce prime costs and improve efficiency. Only in this way can the social costs of economic development be significantly reduced and coordination in the economy guaranteed. However, a great deal of misunderstanding has accumulated about this matter.

The opinion still often voiced about the need of retaining directive tasks in the area of markets and export production is a misunderstanding. This idea surfaced in various statements in which some participants (including S. Jedrychowski) recalled the results of the pre-congress discussion held on the so-called economist Thursdays, on the thorough groundlessness of separating market and export production and of opposing their supply and cooperative production, as well as production for the needs of domestic investments. Such opposition produces deplorable results.

Prof. Wacław Wilczyński treated this problem in a broader way, reflecting on the extent to which project work known up to now fulfills the basic criteria which the new system must meet. In the opinion of Prof. Wilczyński, the first such criterion is a guarantee of credible premises for decision and proper economic choice at all levels, the highest and the lowest. From this viewpoint we must reflect on whether maintaining the developed organizational structures guarantees a rational choice in the sphere of planning and management. W. Wilczyński recalled that this is a matter of structures generally judged as favoring special interests.

The second criterion is closely associated with the first, but requires separate treatment because it refers to the basic industrial link, the enterprise, and more precisely stimulants to reduce prime costs in the enterprise. This matter includes a great deal of vagueness, intelligible from consideration of other dilemmas, such as those occurring in the price sphere. However, if we adopt a long-range price control in the future, if prices are still set exclusively on the basis of cost calculations, if we retain directives here and there, it will be difficult to expect enterprises to function efficiently for the purpose of reducing prime costs. But this is a critical matter.

In the opinion of Prof. Wilczyński, the connections between standards of value and the basis for price formation should be considered differently in project preparations. It is exactly the connection between gross

measurements and the principles of price formation based on free cost calculation which have resulted in the tremendous inflation of costs and outlays.... If we do not succeed in creating a general tendency to reduce prime costs, we will also be unsuccessful in balancing the economy, and will not reach any market balance in any section."

"It is also possible," W. Wilczynski continued, "to allege that somehow profits would work more effectively in reducing prime costs than added value [excluding material services]. But what kind of profit? Up to this time profit has appeared exclusively as a surcharge on growing costs. On the other hand, we have little knowledge of profit as something which occurs as a result of reducing prime costs. This category is least understood in enterprises, because an increase in profits leads to its verification, also entailing a price reduction. Enterprises fear this like fire for generally well-known reasons. Therefore we must create conditions for increasing profits by means of reducing prime costs. This is not yet found in systems solutions. This matter is also of capital importance in considering the 'construction of a systems proposal in the area of wages and connections with the economic results of an enterprise in such a way that it would actually lead to a balance, to obtaining a surplus in the social product produced by the enterprise above what it paid for'."

Prof. Wilczynski is convinced that this problem must also be looked at from the point of view of the economic education of society:

"We must clarify the essential basis of economic independence, the idea of the enterprise which pays workers as a function of what they actually produce. After all, this is a field in which there is inconsistency between the trade unions and our pay ideas. Trade unions always aim at identical pay in all possible enterprises and plants, and take a very dim look at price differentials as a function of economic results. But we must inevitably follow the path toward wage differentiation."

All of the participants in the discussion came out in favor of considering the social and political aspects of proper incentive, and strongly emphasized the moral and ethical aspects of this problem. A proper and intelligible connection between wages and work could liberate a great deal of reserve in economic initiative among working personnel, engineering and technical cadres and in all employees. Otherwise bilateral connections between obligations accepted and a gradual balance of the economy will not be possible. But this is also the condition for adequate solution in the matter of retail prices, along with the natural release of reserves in agriculture and further progress in food production.

At any rate the reform should be preceded by changes in [materials] supply prices and corresponding legislation (a bill on worker autonomy in the enterprise, planning and so forth).

We have selected a few threads from this very broad discussion in the conviction that it is essential to employ outstanding economists in economic reforms. Enterprise autonomy and personnel independence dominate in this approach.

Taking part in the 15 September meeting were: Leszek Balcerowicz, Tadeusz Jaworski, Stefan Jedrychowski, Tadeusz Migdal, Jozef Pajentka, Erwin Plichcinski, Mieczyslaw Rakowski, Andrzej Tymowski, Wacław Wilczyński, Stefan Wieniewski, Zbigniew Wieszniowski and Tadeusz Wojciechowski.

The meeting of the PTE Main Administration took place 3 days after the meeting of the commission discussed above. The Administration listened to the information about the work of the commission up to now and, after discussion, approved the directions and schedule of further work on the report of economic reform guidelines. In their discussions they emphasized that reforms cannot be treated in a technocratic manner or in a narrow economic manner, and that a purely instrumental approach is not enough. Assuming that this independence will continue in our country, the reform should guarantee a suitable system of functioning of enterprises and of central institutions.

There were particularly sharp expressions against incomplete or simulated reform. The economist community will not underwrite a reform which is not thorough and comprehensive and treated seriously. The commission which is to prepare the reform faces an exceptionally important social responsibility. Here the economic community also wants to feel authentic joint responsibility.

The Administration adopted a motion to prepare the report during the next month, and after preliminary discussion in the commission and the ZG plenum, to transmit it particularly to the government and to the commission of the Political Bureau formed to carry out reforms.

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CSO: 2600

DEVELOPMENT OF EFFECTIVE TECHNICAL-MATERIAL SUPPLY BASE

Bucharest ERA SOCIALISTA in Romanian No 18, 20 Sep 80 pp 12-15, 51

[Article by Prof Dumitru Fundatura, technical director of the Computer Center of the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets]

[Text] "Special attention must be devoted to expanding our own raw materials basis, intensifying research activities, and exploiting the existing reserves useful mineral substances throughout the country, including ores that are poorer or situated in locations that are more difficult to exploit." Nicolae Ceausescu, speech to the Second Congress of Peoples' Councils.

It is well known that in recent years the party and state leadership has adopted a group of highly significant measures to improve the management, organization, and planning of the economy, with profound implications in the technical-material supply domain.

The fact is that supply and distribution are essential components in the process of producing material goods. It is not merely one point in the circulation of means of production, nor solely a regulator between production and consumption, which would prevent production without need or need without coverage, but rather a dynamic economic process which strongly influences the superior utilization of all the material resources available in the country, and the creation of the largest possible volume of useful products from the utilization values brought into productive consumption.

All New and Reusable Resources in the Economic Circuit

First and foremost, a good technical-material supply implies an expansion and development of our own raw materials and energy basis, a diversification of the resource inventory, and an intensified flow of supplies and economic relationships among vendors and customers; in other words, it means a speed-up in the circulation of means of production in the economy. One of the concrete ways in which this can be achieved, is to further increase the reserves of useful substances discovered and made available for exploitation, as well as to increase extraction from actual deposits. According to 1985 forecasts, net coal production will reach 85-88.3 million tons, of which 85 percent will be lignite and 15-16.5 million tons will be bituminous shale; in addition, we will extract 12.5 million tons of crude oil, 26.5 million cubic meters of methane gas, and so on. The production of

non-metallic substances will be developed in accordance with the needs of the national economy. During the next five-year plan, sulfur production will increase 6.1 times, and that of kaolin and dolomite 1.4 times; the production of clays, bentonite, graphite, and so on, will also be substantially increased. This will create conditions for increasing the volume of resources in material balances, so that the needs of the national economy and users can be met in scientifically established proportions and with a degree of maximum certainty. It will also improve the structure of the electric power balance; of the total electricity produced (88-90 billion kWh) in 1985, nearly 60 percent will be from plants burning coal and bituminous shale, and 20 percent from hydroelectric plants.

The interests of the national economy demand that during the coming years we place in evidence new resources which have not been used or have been poorly used until now; these will be new resources of radioactive ores, rare and scattered metals, titano-zirconifer alluvials, rare earths, potassium salts, and so on, as well as new forms of primary energy (solar, geothermal, wind, and so on). It is forecast that by 1985 we will replace 2.5-3 million tons of fuels from new resources.

A dominant trend at the present stage, and one which will have to be stressed in the future, is the sustained promotion of materials that can be obtained in Romania, that have properties equal to or even superior to those of conventional ones, and that can successfully replace traditional, imported, and more expensive materials, such as non-ferrous metals, rare metals in industrial production (gold, silver, platinum), alloy elements, and so on, all of which are increasingly difficult to find on the world market.

An important source for expanding the raw and other materials basis is represented by local resources. The use of plaster of Paris to build separating partitions in buildings, of reeds and canes as construction materials, of branches, bark, and forest deadfall for the fabrication of various products, and so on, can reduce the pressure on the central fund of materials, especially of those that are in short supply, making it possible to distribute a larger portion of the existing materials to priority sectors of the economy. In this respect, a high responsibility is carried by local organs, which as good stewards and administrators of their counties and localities, must act more decisively to discover all the resources in their areas, that are likely to directly or indirectly strengthen the material strength of the economy, and to contribute to the coverage of our consumption needs.

The expansion and judicious management of our own raw materials and energy basis is intimately associated with the superior exploitation of all our available material resources. As established by the 12th Party Congress, by 1985 it will be possible and necessary to increase the exploitation indicators of basic raw materials and energy by 32-34 percent, to bring the coefficient of metal extraction in the production of milled goods to 86 percent, to reduce metal consumption quotas in machine production by at least 20-23 percent, and to reduce by at least 21-23 percent the index of primary energy consumption in industry.

All these measures are aimed at a rapid growth in the supply of production with domestic material resources, as well as at strongly reducing importation by limiting it solely to those materials and products for which resources or technical methods do not exist in Romania. "Without assuring the material basis," stated Nicolae Ceausescu at the Workshop of the Central Committee of the RCP on 29-30 May of this

year, "we will not be able to properly achieve the production that we need. That is why I once more draw your attention to the fact that we will not proceed to develop production on the basis of importations. We will first of all have to secure for ourselves the raw and other materials that we need, that we can and must provide, and only then will we proceed to develop production."

In order to reach the quantitative and qualitative parameters projected for the 1981-1985 period, there is a stringent need to achieve all the production levels stipulated by the 1980 plan. But the failure to meet the extraction plan for crude oil and coal, the delays in placing in production and exploiting the new copper mines, the failure to provide adequate quantities and qualities of certain ores, including clay, as well as the failure to produce other materials and goods, creates a difficult situation for the proper start of the next five-year plan. All levels of forces -- enterprises, centrals, ministries -- must be concentrated to overcome the present situation, recover arrears, and fulfill the rates prescribed by the plan. Thus will we avoid subjecting the national economy to additional efforts for covering in other ways that which our industry can but does not offer because of persistent shortcomings in production activities.

A particular role in the intensive exploitation of our resources is played by the recovery and industrial processing of materials derived from production and consumption. Stressing the importance that local organs must assign to such matters, Nicolae Ceausescu pointed out during the speech he gave before the Second Congress of Peoples' Councils, that these organs "have the duty to intensify their work in fully recovering and exploiting the large reusable resources existing in all of Romania's counties and localities. Recovery activities must assure at least 40-50 percent of the domestic needs for iron, non-ferrous metals, textile fibers and filaments, mineral oils, and other raw materials." This practically inexhaustible activity must become constant so as to truly become a more important source for covering the needs of the national economy, and for increasingly counteracting the limited nature of our resources and the difficulties in procuring some others from the world market. The significance of the recovery and industrial processing of reusable materials can be illustrated with numerous examples. For instance, it takes 10 times as much time to produce one ton of bulk cast iron, than to collect, process, and deliver one ton of ferrous metals scrap; similarly, the investment cost to collect and handle steel scrap is less than one-tenth of the investment cost necessary to build capabilities for extracting ores and producing bulk cast iron. In the paper industry, the production of one unit of cellulose requires 2.6-5 man-days, whereas the same amount can be obtained from recycled paper in only 1.9-2.1 man-days. These examples obviously show the causal relationship and the economic effects created in the most diverse fields of activity, by the recovery and recycling of materials.

The collection, processing, and utilization of reusable materials introduce significant substance gains, not only in the balances of the respective materials, but also in those of ancillary ones, upstream or downstream of the technologies of the products involved. For instance: in aluminum production, energy consumption is reduced 20-fold through the use of recovered metal, 6.6-fold in the case of copper, 6-fold for iron, 3.6-fold for zinc, 2.5-fold for lead, and so on. In other words, a much larger amount of products necessary to the national economy can be produced with the same amount of electric power.

The actions organized in Romania converge on the exploitation of an increasing volume of reusable resources. But the pace of these actions is still slow and the area they encompass still limited. A broad range of reusable resources awaits to be reintroduced into the economic circuit. Among these are ashes and slag, plastics, light bulbs, fluorescent tubes, abrasives, lids and corks, and so on. A major cause for this situation is that a continuous flow from production site to site of usage has not yet been organized for reusable material resources for which we already have processing techniques and for which users have been established.

A second cause is that inventory and storage processes have not been organized for resources for which research has not yet been finalized, and for which technical processing methods have therefore not yet been established.

Experience has shown that the focus for locating, sorting, collecting, and exploiting reusable material resources is at the enterprise in which they are produced. The material records kept by each enterprise must establish in detail the destination of each gram of reusable material. Moreover, a close correlation of material balances with income and costs budgets, and the use of the financial leverages offered by the economic-financial mechanism, must assure the complete recovery of expenses incurred in the purchase of raw materials, including the total recovery of the material resources resulting from the production process. Under this proposal, income and costs budgets could not be closed with positive results without the financial return obtained from the full exploitation of secondary material resources in each enterprise.

From Achieving Physical Production to Respect for Contracts

The large volume of means of production that is being used in the economy, and the considerable growth in economic relations among supplier and user enterprises, imposes more than ever a rigorous respect for the obligations undertaken by signers of contracts; any deviation or failure to respect these obligations entails a chain reaction in the enterprises involved with the guilty party, and harms the material balance of the plan. That is why a rigorous respect for plan and contractual discipline, and the achievement and delivery of physical production in the quantities, qualities, and terms established in assignments and purchase orders, are economic tasks of the first order and of the highest responsibility.

Collective management organs in ministries, centrals, and enterprises, and workers' collectives in enterprises and economic units, have adopted technical and organizational measures which will assure that plan tasks and contractual obligations are respected to the letter, and that in many cases the assumed obligations are even surpassed (for coal, ores, products of the construction materials industry, lumber, and so on). A large number of violations of contractual obligations still persist (for refractory materials, tires, electric motors, and so on), which place user enterprises in difficult positions, endangering the continuity of their production. For instance, back orders for deliveries of refractory materials (bricks, concrete, porous pipes, furnace lining materials, and so on) from the Muncitorul-Cristian enterprise and from the refractory products enterprises of Ploessa, Alba Iulia, and Brasov, have caused the steel combines of Galati, Hunedoara, and Resita to exhaust their stocks of such materials, creating a constant insecurity of supply with negative repercussions on the production process.

Respect for the plan and contractual discipline is not an elective task which can be left up to the decision of one of the parties, but rather a legal obligation on whose fulfillment depends the normal conduct of socialist production relationships among enterprises. It is thus also a matter of ethics, of mutual support, and of good collaboration among various workers' collectives, so as to achieve common goals, while encouraging and vesting their interests in the completion of the tasks established in the plan for socioeconomic development and the economic contracts signed on the basis of this plan.

The completion and delivery of physical production are of critical importance in assuring the correlation which exists, and must exist, between plans and contracts. There are times however, when breaks between plans and contracts lead to a failure to fulfill the latter. During the first quarter of this year for instance, 32,000 electric motors of 0.25 MW and more have not been delivered as contracted, while the producing enterprises fulfilled their tasks both in terms of produced goods and in terms of net production. This discrepancy arises because the plan tasks are established in terms of MW, whereas the contracts stipulate a specific number of motors of various powers, so as to meet the needs of customers (for tooling and installations, for starting production capabilities, and so on). Some manufacturing units tend to give priority to large motors, and thus fulfill their plan tasks with a smaller number of motors while failing to meet their contractual obligations.

These circumstances raise several problems: to begin with, they create discrepancies between plan and contractual tasks, thus violating legal provisions and bringing losses to the economy. Moreover, they impair collaboration between production units and customers. The upshot of all this is that the plan must be considered as being fulfilled, with all the consequences that follow, only after all contractual obligations have been fully honored. A contradictory situation is otherwise created, in which the supplier enterprise, by failing to respect its contractual obligations, prevents its customer enterprises from fulfilling the plan, even though it fulfills its own plan tasks. The problem is even more acute when the failure to respect contractual clauses delays the start of production capabilities, thereby causing a failure to produce the volume of resources stipulated in material balances, and consequently a failure to fully cover the needs of customers.

The achievement of physical production is a basic, fundamental principle of the new economic mechanism, which assumes first of all that all items of the plan are completed on schedule. We cannot have more material goods than the ones we create, and we cannot derive benefit from more than we achieve through our own work. The fact that the new economic mechanism has not been understood or has not been implemented as seriously and strictly as necessary in some enterprises, is actually demonstrated by the failure to provide some products stipulated in the plan and in economic contracts. It would appear that some management staffs in enterprises and centrals, as well as some economists, consider the new economic mechanism as a different form of the old regulations, rather than a principle of economic existence, a new management concept, and a new form of participation in the nation's socioeconomic development. This explains how some enterprises, such as Unirea-Cluj Napoca, Aversa-Bucharest, and others, have fulfilled their value plan for overall production and production of goods, while carrying some lags in physical production, which they consider as small, insignificant, unimportant, without realizing that they cause a chain reaction failure of physical production in other enterprises.

The new economic mechanism and its principles and effects must not be regarded as isolated problems for each enterprise, and as the sum of private, individual economic mechanisms at the level of the national economy. In the words of Nicolae Ceausescu, "we must all understand and act in unison to implement the very important principles of the new mechanism, which must truly play an active role in the mobilization of all the workers' efforts for the conduct of economic activities with the best possible results." At the national level therefore, the effects of the new economic mechanism represent the conjugated effort of workers in all fields of activity.

The vast action undertaken to standardize products is of essential importance for the judicious utilization of material resources, for the responsible and very demanding stewardship of the national wealth, and for proper technical-material supply. The purpose of this action is to restrict the very large number of inventory items, models, types, and dimensions of products, subassemblies, and parts moving through the economy.

Analyses have shown that the broad diversification of models has not always resulted in better quality, in meeting a wider range of utilizations, or in better product reliability. Both in industrial production and in construction and installations, designs as well as manufacturing technologies have often specified different choices and qualities of materials for the same product or project, even though some of them required greater costs and more complex techniques. Eight brands of steel for instance are used in manufacturing piston pins for automobiles and tractors, even though their operating conditions allow the use of a single brand. "We must decisively curtail," Nicolae Ceausescu has said, "the anarchy that reigns in the use of all sorts of materials, parts, and subassemblies, which hinders production, hinders maintenance and repairs, and pushes us toward totally unnecessary importations." The state and party leadership has asked the responsible ministries, centrals, and research and design institutes to apply the new standardization steps beginning with the second quarter of this year, and to use them as the basis for formulating next year's plan.

Very positive economic results follow the restriction of product model ranges and the adoption of standardized product inventories. Some of these results are: superior utilization of production capabilities and machinery, together with a lower number of manufacturing technologies; higher mass production of parts and subassemblies, and application of advanced technologies for manufacturing and assembly; reduced consumption of materials, fuels, and energy per unit product, and the possibility of formulating rigorous consumption standards; sustained quality of products, parts, and subassemblies, taking into consideration the functions that they will have to fulfill in operation or during consumption; simplified operations and reduced maintenance time for machinery, tooling, and installations, as well as the formulation of highly efficient technologies for reconditioning and reutilization of used spare parts.

In full swing, the standardization action has resulted in about a 50 percent reduction of the models and dimensions analyzed so far, which in turn has already made it possible this year to substantially improve the supply inventory. At the same time and consequent to this fact, the number of suppliers will also be reduced,

thus helping to simplify economic relationships for supply and distribution, establish permanent connections for delivery, increase reliability and effectiveness, and reduce the costs of supply, handling, storage, and transportation operations.

Improved Forms and Methods of Technical-Material Supply

One of the highly significant measures taken by our party and state leadership, has been aimed at a gradual transition to forms and methods of technical-material supply which will ensure a greater efficiency in this economic process. Considering the judicious territorial distribution of production forces, the multiplication of points of production and consumption, and the constant increase in the volume of means of production that are being introduced into the economy, the organization of a territorial network of bases and warehouses has been undertaken, along with the creation of a system of county bases for technical-material supply, as a principal link in the flow of a large volume of raw and other materials from suppliers to users. The major advantages of this system are primarily to be felt in bringing the supply sources of raw and other materials closer to consumers; determining specific areas of supply which will simplify economic relations among parties, and assuring rational and effective supply flows; optimizing transportation by assigning consumers to the closest suppliers; fully utilizing transportation capabilities and using the most suitable means of transportation in each case; establishing the shortest routes for supply and transportation so as to reduce the time necessary for the latter; reduce distances covered, handling, sorting, loading, and unloading operations, and costs required by these activities; concentrating the available stocks in enterprises, bases, and warehouses, thus creating optimum conditions for a unified administration of technical-material supply processes, and especially for efficiently redistributing stocks as a function of the needs that arise at any given time; concentrating excess stocks so as to reintroduce them into the economy; sorting and resorting stocks at each step depending on concrete user needs; and so on.

Added to these advantages of course, are those associated with the concentration of space and storage capabilities, and of machinery, tooling, and installations specific to these activities; their improved utilization through maximum possible loading, and the introduction into the economy of released installations; improved use of workers and reduction in their numbers; concentration of investment funds and their redirection toward the most efficient solution to problems in this field, such as: creation of high -- 12-15 meters -- storage, greater mechanization in storage and delivery activities, superior safeguarding and preservation conditions for stored materials, elimination of spoilage, and so on.

To be sure, this organizational solution is only one step, the first step, in improving the organization system of technical-material supply. It must be continued and developed so that, as the secretary general of the party has indicated, "the bases from which materials are transported -- especially for construction -- will be as close to their destination as possible in the respective county." The first action would be to finalize the inclusion into a single system, into a unified network, of the bases and warehouses that are currently under departmental jurisdiction (Ministry of Agriculture and the Food Industry, Ministry of the Metallurgical Industry, Ministry of the Machine Building Industry, and so

on), thus eliminating parallel operations of similar networks of bases and warehouses, most of them with identical inventories of parts and materials. Because of this, the economy still has scattered stocks of materials with poor possibilities for gathering and redistribution.

The analyses that have been conducted and the experience that has been accumulated have demonstrated that the temporary needs of users (3-4 tons of a given material) can be met solely from the circulation from stock of a single ton, when the stocks happen to be held by a single authority, at a single location. The economy is thus relieved of a significant volume of frozen materials, which are returned to the economic circuit through the current supply traffic. At the same time, all the other advantages mentioned above will be reflected in higher efficiency indicators through a continued concentration of all bases and warehouses in a unified organizational system.

One more point deserves to be made here. In the Report of the 12th Congress of the RCP, Nicolae Ceausescu indicated that: "River transportation will grow 2.0-2.2-fold through the introduction of powerful and specialized ships, as well as through the opening of the Danube-Black Sea Canal. We will also begin construction of the navigable Bucharest-Danube Canal, which will provide a direct water connection between the nation's capital, Black Sea ports, and countries of Central Europe." This prospect presents new possibilities for building and locating river warehouses -- either as harbor warehouses, or as supply and transit warehouses -- as well as storage areas along the two canals. The intensified river transportation along the Danube, as well as the transportation on the Danube-Black Sea Canal, and later on the Bucharest-Danube Canal, will attract a large volume of raw and other materials to these routes and will make it necessary to devise new supply systems for users in the neighboring areas. The completion of the warehouse network will have to consider the definition of a zone in which water transportation and combined transportation (railway and automotive) will allow a steady supply flow in a short time, with low transportation and supply costs. Estimates show that nearly all the Danube plain and Dobrogea will come under the influence of this vast system of transportation and supply; in practical terms, all the suppliers and users who maintain supply and delivery economic relationships, and who are located in a zone bounded by Tulcea-Galati-Braila on the east, and by the curve of the Carpathians on the south-south-west, will be the major beneficiaries of this traffic. And we must not overlook the fact that this system of supply and transportation will carry a large volume of materials and products, thus flattening traffic peaks in railway and automotive transportation in the Danube plain.

It therefore becomes necessary to define appropriate types of river bases and warehouses, their circle of coverage, and their system of service, mechanization, relationships, organization, and so on, in order to benefit from all their advantages as soon as actual utilization circumstances allow it.

Under the present conditions of constant progress in science and technology, improvements in technical-material supply must be achieved through the industrialization of this activity and through its more intensive introduction into the production efforts of enterprises and economic units. We therefore find it particularly necessary that a number of activities of a productive nature be gradually transferred to supply and distribution areas, thus relieving technical manufacturing processes of operations which involve the preparation of raw and other

materials intended for production consumption. Some of these operations are the cutting of materials in fixed and multiple lengths according to production needs, shaping of some materials, simple or combined shaping, preparation of standard mixtures (when they do not require technologies specific for some manufacturing processes), routine cleaning and assembly, reconditioning of parts and subassemblies, and so on.

The experiments conducted so far by some supply organizations (such as the county bases in Cluj, Brasov, Prahova, Bucharest, and so on) and some enterprises, have had favorable results which argue in favor of more extensive transfer of operations of a productive nature in technical-material supply activities. These concrete results have been a reduction in fabrication times because preliminary operations are carried out while materials are still in the supply warehouses of enterprises or bases; the relief of production workers from operations preliminary or secondary to fabrication, and better utilization of working hours, thereby increasing labor productivity; the reduction of supply and storage costs, and the assurance of a continuous, complete, and comprehensive flow of supplies to production, of raw materials and materials ready to be introduced into fabrication.

By taking over these operations, the technical-material supply activity is expanded, complemented, and better defined in its direct connection with production, thereby becoming integrated completely and efficiently into the productive circuit.

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COST REDUCTION KEY ELEMENT IN INCREASING EFFICIENCY

Bucharest REVISTA ECONOMICA in Romanian No 42, 17 Oct 80 pp 7-8

[Article by Gh. Sical "Cost Reduction, a Major Imperative for Growth in Economic Efficiency"]

[Text] The new economic and financial mechanism, putting the accent on the priority that must be accorded to the intensive factors in economic and social development, establishes the production cost as a defining criterion of economic efficiency. An economic category of great importance, springing from the requirements for applying the law of value and for the law of timesaving, the production cost constitutes the "barometer" of the economic activity in the production units.

In all the stages of development traversed by the Romanian economy, the cost discipline has been strengthened both by planning the cost-reduction tasks and by improving the content and the techniques of substantiation and analysis. In recent years, steps have been taken that have led to the elimination of some elements of net income from costs, which distorted their economic content, thus permitting the enterprises to mobilize themselves, by means of their own effort, to reduce costs and increase labor productivity, that is, permitting them to operate on the factors that are at their disposal in order to fulfill the tasks for reducing the level of expenses. It is a question of abolishing the tax on production funds, which represented in fact a form of redistribution of net income, of removing from costs and bearing directly from financial results the land tax, the unproductive expenses (fines, penalties, demurrage) and so on.

At present, it can be stated that, from a viewpoint of the content of costs, here in our country they reflect embodied labor and labor for itself, and the elements of net income that still exist in costs for practical reasons (contributions to social security, interest on current loans and so on) are situated in terms of percentage at a normal level (5-10 percent). At the same time, on the basis of a program approved by the government, the introduction of advanced methods of calculation and recordkeeping of costs (the normative method, the standard method, the machine-hour-cost method and so on) into the enterprises will permit the prompt following of

the evolution of the level of costs, including the adoption of preventive measures that result from this and, at the same time, the matter of knowing as early as the first days of the next month the net output achieved.

Complete Fulfillment of the Program of Measures

As a result of the steps taken to raise the degree of technical equipping of the enterprises, to improve the technological processes, to reduce material consumptions, to orient production toward assortments with a high degree of processing and utilization of raw materials, to increase production and labor productivity, significant reductions in production costs have been achieved. Thus, savings of about 47.4 billion lei were obtained in national industry in the 1966-1970 five-year period and over 85 billion lei (including 61 billion lei from the reduction of material expenses) in the 1971-1975 five-year period, and according to estimated data, nearly 117 billion lei, including more than 70 billion lei from the reduction of material expenses, will be achieved in the five-year period that we are concluding.

The achievements confirm the fact that where steps were taken and there was constant concern for fulfilling these synthetic qualitative indicators of the plan good results were also obtained. Thus, the savings achieved from the reduction of the production costs obtained in 1979 as compared with 1978 in national industry, under comparable conditions, total about 8.7 billion lei. Many enterprises in the machine building industry, the metallurgical industry and light industry and units in other industrial branches helped to obtain this volume of savings.

However, not all the enterprises, industrial centrals and ministries have taken decisive steps to create the conditions needed for reducing the production costs to the stipulated level. Consequently, it is necessary that, in the part of the year that still remains, actions be taken to make up the lags and create the conditions for completely fulfilling the tasks for the whole year. The matter of accentuating and thoroughly studying the qualitative aspects in the process of economic growth constitutes the essential coordinate that must manifest itself in production activity. In this framework, each leap advanced by society must be managed in such a way as to bring a maximum of net income, satisfying the requirements of expanded socialist reproduction, a sure way to carry out the policy of raising the people's standard of living. This concept is concretized in the directives adopted by the 12th RCP Congress, which provided a higher rate of growth of national income (6.7-7.4 percent) than that of national product (6.3-6.6 percent) and, at the same time, that 80 percent of the increase in national income is to be obtained through growth in social labor productivity. Under these conditions, the total expenses per 1,000 lei of commodity output in national industry in the 1981-1985 five-year period will have to fall by 7-8 percent in comparison with 1980 and the material expenses by 5.4-6 percent. The calculations show that, in industry alone, by fulfilling the objectives established by the directives, savings of about 175

billion lei, including more than 100 billion lei in material expenses, will be obtained.

In order to give consistency to the actions for reducing the expenses per unit of product, as early as 1974, "Programs of Measures for the Reduction of Production Costs," an integral part of the sole national plan, were institutionalized. Practically, these programs should contain all the ways specific to an economic unit with regard to mobilizing the internal reserves on as wide a basis as possible, should be exhaustive, laid out according to sections and shops with final and intermediate dates for materializing the measures, with precise responsibilities, evaluated from the viewpoint of the economic effect and, especially, followed systematically to be put into practice.

Although some economic units now possess a certain experience and have results in implementing the cost program as a management tool in the economic and technical processes, others are limiting themselves to drawing up the program in a formal way. For example, the "1 Mai" Enterprise in Ploiesti is promoting in the manufacturing sections the elements of the production costs (both the direct expenses and the indirect ones) and is seeking systematically to materialize the measures. As a result, the production costs have been reduced continually, with the enterprise keeping practically within the provisions of the plan.

Although from a methodological viewpoint the problem of costs is, in general, in agreement with the new economic exigencies, from the analyses made in enterprises and centrals it resulted, despite declarative appearances, that the activity of reducing the production costs has not risen in all cases to a suitable level but has been confined to one or more overall calculations made in the chief accountant's sector. At the same time, the technical plan has not supported organically, with necessary solutions, the planned volume of savings, with the programs of measures for cost reduction sometimes having a general character. The "Grivita Rosie" Central for Refineries and Chemical Equipment, the Tirgoviste Combine for Special Steel, the Oltenia Mining Combine, the Craiova Chemical Fertilizer Central, the Galati Iron and Steel Central and so on are in this state. These units have not managed to reduce the costs this year to the planned level but, on the contrary, have exceeded them by far, especially due to growth in the volume of material expenses per unit of product achieved. This is why it is necessary to strengthen the plan discipline for production costs, to eliminate formalism in preparing and following the programs of measures for reducing them, in making plan calculations according to products and updating them, so that they become concrete tools for managing the activity of the enterprises.

The promotion of the advanced methods of recordkeeping and calculation of costs is still being done at an unsuitable rate. Naturally, in the initial phase, the advanced methods of calculation and recordkeeping require more work, suitable vocational training and exemplary preparation of the general

framework for application. But, once introduced, the advantages are obvious. We are referring particularly to the normative method, that of standard costs and that of machine-hour cost, which would also permit, besides strict cost discipline, more effective knowledge of the net output--a requirement of the new economic and financial mechanism. In adopting one of the methods or another it is necessary to take into account the character of production, the specific character of the technological processes, the length of the manufacturing cycle, the complexity and the nomenclature of the products, the volume and the structure of the unfinished production, and other conditions specific to each production unit.

Utilization of the Available Resources

The party and state documents from recent years dwell on the necessity of reducing production costs in an organized way, of accentuating the actions for economizing on social labor. From the efficient use of worktime, the strengthening of technological discipline, the raising of the degree of effectiveness and quality in decisions, to the application of the processes for optimization in intraplant transportation, in the scheduling of production and so on, there is a wide range of factors that can be mobilized in the cost-reduction field. We point out that in matters of organization of production and labor there still are significant reserves that can be drawn into the economic circuit, that can help to reduce material expenses and costs. The raising of the quality in designing new products and in redesigning obsolete products also constitutes an important, virtually permanent way to economize on social labor.

The way in which the technical documents are drawn up influences strongly the level of material expenses and costs. The technical departments in centrals and enterprises can also make a decisive contribution in this way to the reduction of material expenses and costs. So, for example, at the Sacele "Electroprecizia" Enterprise, through the redesigning of the asynchronous electric motors of 4-7.5 kilowatts, in the main, savings of over 500 tons of metal, a part of which was copper and aluminum--scarce materials--have been achieved in the part of 1980 that has passed.

A special accent must be put further on reducing the specific consumptions of raw materials and supplies, and especially of metal and wood. This through a technical-material supply based on strictly necessary calculations both quantitatively, dimensionally and qualitatively, as well as through the systematic reduction of the specific consumptions per unit of product--through the promotion of advanced technologies, the redesigning of products and the improvement of the structure of production. In the same context, a special accent must be put on raising the coefficient of utilization of raw materials, on reintroducing reusable materials into the production circuit.

The method of technical analysis of value makes an important contribution to the growth of economic efficiency, both by reducing the production costs

and by raising the use values of products. Specific to this method is the fact that it starts from the idea that economic efficiency depends firstly on the quality of the productive conception and only secondly on the technical and organizational conditions for execution. According to this concept, the optimum of the constructive solution must be achieved under the technical and organizational production conditions existing in the economy at a given time. The economic priority of the phase of conceiving the products in relation to the manufacture proper results from the fact that it also conditions to a considerable extent the degree of utilization of the possibilities offered by the stage of development of the production forces, by the contemporary scientific and technical revolution.

We are of the opinion that it is necessary to reexamine the level of the different rates and quotas of increase that unjustifiably inflate the material expenses at present. We are referring particularly to the rates of the specialized transportation enterprises, the quotas of the technical-material supply bases, the rates contained in scientific research contracts and others. At present, they have overlarge profitabilities in relation to the effort exerted and inflate the material expenses of the producing enterprises, reducing accordingly the net output.

One action with great economic and technical significance requested by the party and state leadership was that regarding the typification of materials and semiproductions. This action must lead normally to the economization of social labor, to the growth of efficiency. However, there are cases when for some customers the typification has influences on the level of material expenses. The "1 Mai" Enterprise in Ploiesti, for example, blames such influences. Clearly, complex and elaborate analyses, proposals that also lead to the growth of economic efficiency for the customers who are supplied with typified products, are necessary in such situations.

The new economic and financial mechanism requires solid knowledge of each unit's contribution to the process of creation of national income, that is, of the component elements of the net output, as well as of all the aspects connected with the characterization of economic efficiency. Management of the economic units in the current stage is inconceivable without complex, prompt and accurate information, which would be the basis for substantiating decisions of an economic or technical order. The full affirmation of self-management and the distinguishing of the favorable effects of self-administration in the context of the new economic and financial mechanism are achievable only in the case in which the collective leadership body will investigate and utilize as fully as possible the reserves for reducing the production costs.

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LOCAL RESPONSIBILITY FOR CONSUMER GOODS SUPPLY EXAMINED

Bucharest REVISTA ECONOMICA in Romanian No 42, 17 Oct 80 pp 12-13

[Article by Dr Gheorghe Teodorascu and Dr Ioan Georgescu: "Greater Powers To Manage on a Territorial Basis the Supplying of the Population"]

[Text] Socialist trade is one of the fields of social life in which the working people's participation in decisions is finding itself a wider and wider framework for manifestation. Stressing this aspect of the evolution of our socialist society, the secretary general of the party, Comrade Nicolae Ceausescu, stated at the Second Congress of People's Councils: "The people's council must supervise the whole supply, regardless of what ministry it belongs to. It must know what needs to be given to it, must seek to receive high-quality goods, must be responsible and must arrange that these goods reach the citizens on time and in good condition."

The creation of an institutionalized framework for participation by the consumer in contracting, along with industry and trade--through the creation of councils of consumer representatives in all counties and municipalities--confers a new quality on the act of contracting, with the final recipients of the consumer goods being directly involved in establishing the commodity supply for the locality or county that they represent. At present, over 10,000 working people in various age and income groups and professions belong to councils of consumer representatives that operate within the county or city trade directorates of the people's councils.

In this way, one of the basic principles of the new economic mechanism is materialized--namely, the allocation of material and live-labor resources only for the production of goods that these representatives of the population's real demand indicate as necessary.

So that the flexible mechanism created is transformed into a new quality in supplying consumer goods to the population, it is necessary that maximum attention be devoted to each stage of preparation for and performance of contracting--each sequence of the complicated gearing--starting with the chairmen of the county councils for supplying the population.

Responsibility for the Act of Contracting and Preparation for it

The experience of just one edition of the fair of samples of consumer goods--the final moment of a laborious activity of preparing for contracting--brings out the fact that, despite the extensive organizational efforts just before and during the fair, it achieved only partially its main economic function of contracting for the commodity supply for next year, due to the fact that some absolutely necessary premises were not provided, such as knowledge by producers of the raw materials that they will have next year, of the degree of acceptance of new products, and so on. In order to ensure the unitary coordination of all these precontractual stages, as the experience of other socialist countries also shows, it seems extremely useful to perpetuate the activity of the commission for organization of fairs of samples.

The entire activity of forming the collections of samples for contracting, starting with the approval of new products, the preparation of the exhibition list--exclusively from new products--and the coordination of all the producers of consumer goods in providing the samples on time and in good condition are only a few of the tasks that devolve upon the organizers of fairs of samples for contracting.

At the time of presentation at a fair for contracting, the new product must have demonstrated its viability through confrontation with consumers, through trial sales. In this regard, too, all the conditions provided are at the disposal of the producers, namely:

1. The county trade bodies have express tasks along the line of organizing together with the enterprises that produce consumer goods display exhibitions and fairs, by means of which the degree of acceptance of new products by the population is verified.
2. For the products obtained under conditions of small series and one-of-a-kind items there is the possibility of recovering the production expenses to the extent to which they fit into the higher classes of quality.
3. The satisfying of the need for small articles for home use, to supplement the assortment offered by large-scale industry, is done on a county level by small-scale industry, which can and must harmonize the structure of its manufacturing list with the local structure of the demand.

4. The display stores of industry and the cooperative system can justify their existence only insofar as they actually concern themselves with introducing and bringing out new products of the producers that they represent, studying the population's real demand both in their own county and in the other big cities in which display stores of the producers operate.

These are only a few of the organizational premises from which it is possible to start in the joint trade-industry actions of preparing for contracting. The initiatives of county trade directorates like those in Sibiu, Mures and Timisoara, which have performed in recent years interesting actions for promotion of sales and presentation of new products, prove that there are wide possibilities of carrying out efficient actions of prospecting and promotion.

The very decisions on approving new products must pass through the filter of the opinion of the final recipient--the consumer. To this end, it is possible to consider that, besides the representatives of industry and trade, the consumer representatives be invited to the approval activity. For example, in the People's Republic of Bulgaria the collection of models of garments, before being exhibited for contracting, is sent for advice to a "council of expert artists," formed of specialists of light industry and domestic trade, members of the Union of Plastic Artists and youth and women's organizations. Coming to the contracting with an image based largely on the local demand, the county's representatives (the trade directorate, the commercial enterprises, the council for supplying the population, the council of consumer representatives) will be able to formulate, under conditions of minimum risk (the risk of supplying hard-to-sell goods), the need for the commodity supply for the locality or county that they represent.

From "Plan Positions" to a Complex of Needs

While these are the exigencies with regard to formulating the demand for goods, it is necessary that attention also be devoted by producers to the other side of the contractual mechanism--to formulating the supply.

It is a question of orienting the production of consumer goods by starting from a known configuration of the population's complex of needs. By a complex of needs we mean a qualitatively new understanding of the population's needs, turning from offering and, respectively, contracting for the commodity supply according to commodity-science groups--wool cloth, cotton cloth, leather footwear, nonleather footwear and so on--to groups of objects (outfits and sets) that satisfy many needs in a harmoniously correlated way. Examples can be numerous, starting with the possibility of simultaneously buying fancy leather goods (handbag and belt) matched with seasonal footwear, or a topcoat-hat-scarf and so on, going to a complete kitchen (home appliances, kitchen furniture and china, integrated into a functional system of objects in good taste) or even an apartment furnished to order.

Naturally, the offering of such a complex service can have an extremely significant effect on the population's budget of time (the time spent on shopping) as well as on the manner of satisfying a need from a qualitative

viewpoint. The utilization of the powerful economic tool that economic contracts and, respectively, plan discipline in correlating, harmonizing and modularizing into systems the various parts of the population's complex of needs constitute can have a maximum economic and social effect on the production of consumer goods.

Naturally, such an intricately correlated industrial supply takes more work of conception and multidisciplinary consultation--like that done by the Center for Industrial Creation of the Ministry of Light Industry (research on the market, sociology, anthropology, design, management, data processing, technical design of products and so on).

It would be unrealistic for us to regard as possible the centralized planning of the relations of industrial cooperation between all the enterprises that produce consumer goods (only 20 enterprises collaborate just to make a man's suit), but it is possible to study the possibility of coordinating through the county trade directorates and the industrial central groups of industrial enterprises that work together to achieve the complex supply--the industrial transposition of the complex of needs.

In practice, one often encounters the opposite tendency of producers to avoid cooperation, even at the risk of using for consumer goods a single raw material (just plastic, just wood, just glass, just metal). The small plastic articles for home use that, in the absence of metal reinforcement, wear out very rapidly constitute the most graphic example. The avoidance of cooperation between producers also has repercussions on the possibilities of diversifying the supply by creating combined glass-metal-wood-plastic articles, a field in which modern design has a big say.

However, these difficulties--be they objective or subjective--of the industrial producers of consumer goods can be overcome with much flexibility by the units of small-scale industry, provided that the Centers of Creation of UCECOM (the Central Union of Artisan Cooperatives) and other similar institutions offer models of products approved, as we said earlier, by competent specialists. Otherwise, small-scale industry, instead of contributing to the reuse of materials, is transformed into a waster of raw materials (see the "hitech" products of wood, metal, plastic and textiles existing in some "display" stores of the cooperative system).

According to the tasks assigned along the line of coordinating small-scale industry by the Congress of People's Councils, the local bodies of state power can step in promptly and effectively to orient small-scale industry's production in conformity with the population's real demand, conferring also an educational role on its supply of consumer goods, guiding the demand toward high-quality products obtained even from reusable materials.

Control of the Flows of Goods by Means of Flows of Information

Of course, management and control of the distribution of a commercial assortment of over 300,000 goods raise important problems of information through the industry-industry channel (for collaboration, the

industry-trade channel (for contracting) and the industry-trade-consumer channel (for knowing the real demand).

And the existence of a catalog of products, according to groups of goods, according to sets of grouped goods, seems to be a main requirement in meeting this need for information—catalogs that can and must simultaneously fulfill three functions: that of information about the seasonal supply, including new items, that of a reference document for orders, and that of control, offering the parameters for the qualitative reception of the product. As a complement for information about the new items in the supply, it is possible to organize, in conformity with the regulatory framework in force, county expositions and fairs for presenting the consumer goods produced in a county or many adjacent counties, through the joint efforts of the county trade bodies and of national and local industry. In addition, it is possible to organize actions for bringing out and testing the new products through the display stores and the specialized boutique-type stores and their correspondent for metal and chemical goods.

At present, there is a highly developed network of display stores: 536 of light industry, 935 of the food industry, 988 of agriculture, 159 of forestry economy and construction materials and 1,621 of the artisan cooperative system. All these precontractual actions must be spaced out in such a way as to permit compliance with the provision of the law on economic contracts that stipulates: "In the case of products for which on the contracting date the assortments, types, dimensions or other characteristics necessary for executing the assumed obligations are not specified, the parties will stipulate the dates for presenting them, which will not be able to exceed 6 months before the date of delivery." All the more when it is a question of contracting proper—done in recent years during the fairs of samples—there is posed the problem of providing the legal period for preparing for manufacture.

Viewed in this context, the problem of contracting in August for the first half of the next year creates "from the go" delays in preparing for manufacture. Naturally, since the contracting for some groups of goods is not finished during the fair of samples but also continues in the following months, the delivery dates will also be shifted accordingly and, instead of arriving in the stores at the start of the season, the commodity will arrive at the end of the season, when in fact, according to the legal norms in force, the clearance of seasonal goods has to begin.

Starting from these considerations, it seems much more efficient to organize the fairs of samples in the first half of the year, in order to be able to fulfill under conditions of good spacing in time the function of contracting for the next year. The precontractual actions would be spaced out in time in accordance with this new date: the preparation of the collections of samples, the preparation and distribution of the catalogs of products, the holding of the county expositions and fairs of samples, the testing of new products in display stores. The performance of the precontractual actions in a proper way presupposes the suitable instruction of the

salespeople both about the characteristics of the new products and about the methods of studying the demand and of testing the products.

The correlated, extensive utilization of the methods of studying the demand must permit the identification of the structure of the population's demand, of the choices about the new products in a proportion of 90 percent before the opening of the national fair of samples, with the latter yielding the last corrections in the commodity supply forecast by the county trade directorate together with the people's council (the forecasting commission).

The producers of consumer goods in the GDR, which created for themselves centers of the market-research industry in order to orient the production of durable goods, possess good experience in organizing the industry-trade-consumer information flows. Starting from the three major objectives of the present--the easing of housework, the saving of energy and the saving of raw materials--there are studied the possibilities of applying technical progress to the production of durable goods, along the coordinates of the assortment evolution existing on a world level and of the domestic demand.

In order to simplify the operations of contracting and, at the same time, in order to diversify the supply on the domestic market in Czechoslovakia the utilization of a single collection both for deliveries to the market supply and for exportation was established.

Through the amendments made in Law No 58/1968 for organizing and operating the people's councils, there is specified their responsibility both with regard to drawing up the plans for economic and social development on a territorial basis and with regard to organizing, guiding and supervising the fulfillment of the plan targets, including with regard to steadily supplying and properly serving the population, developing and diversifying the range of products and services and improving their quality.

In this way, the distribution of the commodity supply and of the trade network according to localities, in conformity with the specific character and the structure of the demand, the development of small-scale industry, in accordance with the local requirements, and the control of contractual discipline in supplying the goods to the population in terms of delivery dates and quality are concentrated at the level of the management on a territorial basis both of the powers with regard to evaluating as accurately as possible in terms of volume and structure the population's demand within the framework of the plan and of the factors that provide for the implementation of the plan. The utilization of this democratic framework for managing trade and services on a territorial basis creates premises for dealing with the relations between the producer of consumer goods, trade and the consumer with more competence, responsibility toward the citizens, and firmness.

12105

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ROMANIA

CONSERVATION FACTOR IN ELECTRIC, THERMAL ENERGY PRODUCTION

Bucharest ERA SOCIALISTA in Romanian No 17 5 Sep 80 pp 11-13

[Article engineer Ioan Muntean of Sibiu: "Efficiency in the Production of Electrical and Thermal Energy"]

[Text] The program-directive for research and development in the field of energy, as approved by the 12th Party Congress, has as a fundamental objective our country's attainment and surpassing in the shortest possible time the best achievements in the world with regards to energy consumption per unit of national income.

Given the fact that the electrical energy branch consumes an important amount (approximately 21.5 percent in 1976) of the total amount of primary energy consumed in the country, it is understood that any savings in this field can make a noticeable contribution to attaining the established objectives. For that reason, the program-directive asks the researchers, specialists and all workers in the national electro-energy system "to work in the direction of continued improvement and exploitation of this system, ensuring the complete use of the energy and thermal potential, the simplification of the energy distribution network, the creation of autonomous zones and the growth of safety in the operation of the entire system."

In the electrical and thermal energy branch, expenditures for fuels and water, as well as for the electricity used within the branch itself, represented in 1977 approximately 51.3 percent of total production expenditures, while in 1978 this figure reached 53 percent. We should note from the very beginning that these figures reach those levels, among other things, because of the relatively low level of efficiency in the conversion of primary energy into electricity. Although in our country the level of efficiency grew from approximately 33 percent in 1974 to nearly 37 percent in 1976, it is still lower than that achieved in other countries. Thus, the large losses of energy, approximately 63 percent, in the process of producing electricity are a cause in the high level of fuels in the cost of the electricity and contribute 20.5 percent to the total energy loss of the country.

The result is that if we find the appropriate solutions to reduce the principal element of production costs in the electrical power stations, costs for fuels, electricity and water, we will contribute to the achievement of the fundamental objective of the program-directive. First, let us examine the specific conditions in our country regarding the trend to reduce or to increase production costs in the thermo-electrical power stations. We are faced with a continuing increase in the costs of fuels for the production of thermo-electrical energy since efforts are being made to replace natural gas with coal and the price for a conventional ton of coal is approximately double that for gas. In the future, this trend will be accentuated so that, according to forecasts, in 1985 the percentage of thermo-electrical energy produced on the basis of coal will be 55 percent of the total, compared to only 26.2 percent in 1976. While that produced on the basis of hydrocarbons will fall to 20 percent instead of the 57.1 percent of 1976. We should also add the fact that, because of the particular nature of fuels, thermo-electrical energy produced on the basis of hydrocarbons has a lower specific and technological level of consumption than that produced on the basis of coal. Thus, in 1977, the production of one MWh consumed 291 kgcc in the case of power stations using gas and 362 kgcc in the case of those using coal. The result is that in order to stop the increase in the costs of thermo-electrical energy, under conditions of replacing hydrocarbons with coal and of the increasing prices for fuels throughout the world, it is absolutely necessary to adopt a technology that will ensure the production of electrical energy at a much higher level of efficiency than that attained in the condensation-type thermo-electrical power stations installed at the mine entrance.

The conservation of primary energy and resources represents the priority exigency in stopping waste. At the same time, it is necessary that the concepts of exclusivity, unilateral action and specialization in the sense of producing solely electricity be replaced permanently by the complex and complete use of primary energy. Moreover, the idea of a technology without residues and of a production cycle that is as closed as possible is ever more present in scientific literature. On the international level, new methods are being elaborated for the organization of industrial production based on the maximum use of raw materials and energy resources. For that reason, it is the specialists' job to confront, correlate and assemble the available knowledge for the purpose of using it in a superior, integrated manner in the interest of the economic and social development of the country.

It is a positive fact that in our country the average consumption of fuel for the production of energy in the thermo-electrical power stations has continually fallen, from 341 kgcc/MWh in 1970 to 314 kgcc/MWh in 1976, along with a decrease in technological consumption itself. At the same time, energy losses in the electrical power network were reduced.

Keeping in mind the continuing intensification of the electrification of technological processes in the economy and the replacement of hydrocarbons with coal to a significant degree in the process of producing thermo-electrical energy, we must expect that in the coming 5 to 6 years the amount of fuel consumed to produce electricity will approach 30 percent of the total consumption of primary energy in the country and, therefore, the electrical energy sub-branch will noticeably influence the indicator for "energy consumption per unit of national income." This is the source of the importance for critically examining the technological process that today dominates the production of thermo-electrical energy, the means of transporting it from the place where it is produced to the place where it is consumed, the technology of producing thermal energy in large urban areas, the transportation of fuels and so forth.

We are not saying anything new in stating that we must have the appropriate production facilities in order to move to new, more evolved industrial structures.

In the field of the combined production of thermal and electrical energy, we have in Bucharest a model of large proportions: three heat-supplying thermo-electrical power stations belonging to the "Electrocentrale" Enterprise in Bucharest and which, beginning in 1975, have production capacities exceeding 900 MW and 1,300 Gcal/h of steam drawn from the turbines. This model was in the experimental phase for over 10 years and encompasses a vast network for the transportation and distribution of industrial technological steam and hot water for heating. Along with the broadening of the heat-supplying systems and the gaining of rich experiences in the exploitation of these forms of combined production of thermal and electrical energy, we find a spectacular and continuing decrease in the specific net consumption of fuel.

In seeking new solutions that will lead to the reduction of fuel consumption, the collective at the enterprise completed technical modifications necessary to permit classical turbines built to operate on the principles of condensation and steam in-take, to operate during the cold months (October-April) on the basis of counter-pressure. This experiment, with special results with regards to the safety of operations of installations and powered equipment, suggests the idea of building some heat-supplying electrical power stations using counter-pressure turbines in the large cities in our country, with them operating according to the model set by the sugar factories, that is, seasonally, during the majority of the 7 cold months operating with all the powered equipment and during the warm season just with some of them.

This type of power station is especially interesting today when, in accordance with the energy policy promoted by the party, the new thermo-electrical power stations can only use solid fuels (coal). And, coal, especially

lignite, contains large amounts of waste material which implies significant expenditures for transportation in the case of moving it great distances via railroad. In replacing the classical powered equipment in the heat-producing electrical power stations in the large cities throughout the country with counter-pressure turbines, we can ensure the economic competitiveness of using coal at long distances from the place of procurement. The cooling equipment of the classical heat-producing electrical power station is characterized by especially low use indices with regards to the solution we are calling for here. At the same time, we note that the volume of investments for this equipment is comparatively larger, involving more building and occupying an important amount of land.

Along the same idea, it must be said that the volume of cooling water for the power stations using counter-pressure turbines is merely approximately 10 percent of that of the classical power station, total investment expenditures are reduced by over 4 percent and the amount of construction is reduced by 15 to 18 percent. The result of the above is that the heat-producing counter-pressure turbine power station presents a series of economic advantages of special importance now and in the future.

It is said that technology is an historical phenomenon. Actually, during an earlier stage (1950-1960), for economic reasons (the need to conserve investment funds for the construction of electrical power stations, the need to conserve primary energy for the production of electricity, the need to increase safety in the operation of the energy system and so forth) a certain technology was selected in the construction and operation of the national energy system, making necessary the interconnection of the system, an action that was achieved.

Currently, in our opinion, a similar problem is facing Romanian energy specialists, which also is based in economic reasons. The conservation of primary energy in the production of electrical and thermal energy for the large municipalities in the country and the growth of safety in supplying consumers can be achieved under the new conditions by modifying the building and operating technologies of the national energy system. At the same time, it is necessary to have a partial decentralization of the production of electricity at the national level and a centralization at the local level (at the level of municipalities and the areas around them) in the production of thermal energy, using the adequate technology at certain heat-producing electrical power stations of modest power (150-400 MW), equipped with several high power counter-pressure steam turbines (50-150 MW). This solution goes along with the directives established at the 10th Party Congress that in the future we must keep in mind the fact that in some fields and branches of production small and medium sized enterprises can use local resources with relatively lower investments, with their construction being justified from an economic point of view.

Given the advantages of large-scale production, many of those who are involved in the optimization of the size of economic units are in favor of large units as a guarantee for higher profitability. A similar thought also probably existed when our large condensation-type thermo-electrical power stations were sized. If we take into account six of the thermo-electrical power stations that use coal (Doicești, Isalnita, Mintia, Paroseni, Rovinari and Turceni), we find that at their final capacity their average power is over 1,200 MW.

The concentration of electricity in the large thermo-electrical power stations cannot be a rigidly applied rule. The optimum size of a thermo-electrical power station as a rule falls within the general regulation regarding economic industrial units, with it being dependent upon the combination of the internal technological process, the distance over which fuel must be supplied, the costs for investment and use and for the transport of electricity and thermal energy, and so forth.

Here are several aspects that invite reflections upon future solutions for our country's energy situation. Let us refer, for example, to the losses of electricity in the electrical power network. Reported as part of the total amount of consumption, in percent, these losses are continually decreasing. In physical terms, however, they are still at approximately four billion kWh per year, or at a level equal to the country's electrical energy production in 1955 (4.37 billion kWh). In 1977, in the 4.1 billion kWh loss, nearly four million tons of lignite was additionally consumed, or approximately 35 percent of the country's lignite production that year.

In a close examination, we find that there are several very industrialized counties that locally produce a negligible amount of electricity compared to the amount they consume. In this situation, for example, are Brașov, Cluj, Sibiu and Timiș counties. In Sibiu County, which has the greatest electrical production capacity of the four counties named, last year only ten percent of the energy consumed in the county was produced locally. The result is that this county, like others in a similar situation, gets its electricity from far away, via 400 and 220 kV high tension power lines and the corresponding transformer stations, which involves, on one hand, important investment expenditures to build these installations and, on the other hand, use costs, including losses in the electrical power network. We can also add that the energy losses in our country's electrical power network are much greater than those in other countries.

The processing of statistical data shows that in Romania to get one MW of power out of an electrical power station it is necessary to build 511 meters of high tension power line (220 and 400 kV), and for each kilometer of this line it is necessary to install an electrical transformer station of 1.67 MVA. And, in very high tension lines there is an approximate 20 percent of the total energy losses in the electrical power network.

Along with the construction and use of the condensation-type large thermo-electrical power stations which, as we showed earlier use fuel at a maximum rate of efficiency of 35 percent, in some municipalities with populations between 100,000 and 300,000 (like, for example, Baia Mare, Braşov, Cluj-Napoca, Sibiu, Timişoara and Tîrgu Mureş) solutions have been adopted to produce thermal energy (industrial technological steam and hot water for heating) in thermal power stations, again with low levels of efficiency (40 to 60 percent) and numerous personnel.

What we have said until now shows the existence of a contradiction between the macroeconomic optimum and the microeconomic optimum. The construction of large condensation-type thermo-electrical power stations having low levels of efficiency and very high tension lines and stations, which require important amounts of investment funds and the consumption of large quantities of energy-intensive materials (cement, steel, copper, aluminum, insulators), turns out to be a doubtful solution at best. This is even more so since in other countries, as we have shown, thermo-electrical energy production is done with much higher levels of efficiency and, at the same time, with smaller energy losses in the network.

The struggle for energy cannot and must not confine itself to the discovery of new resources of fossil fuels. To an equal degree, this struggle involves the process of exploiting, transforming, transporting and using energy, with the existing reserves in each area being huge. We also noted the fact that from a strategic point of view it is preferable for us to use investment funds on a priority basis in the area of transforming energy (in the heat-producing counter-pressure turbine equipped thermo-electrical power stations). This strategy will permit the reserves of primary, classical and nuclear energy that are found underground in our country to become available to future generations for use.

Under the new conditions in our country, where there is a transition from the burning of hydrocarbons to the burning of solid fuels in the thermo-electrical power stations, the energy field is objectively confronted with a series of unusually complex technical-economic problems. For that reason, energy solutions can only be analyzed in a systematic manner. With regards to the criterion upon which decisions will be made regarding energy installations for the production of electrical and thermal energy, we feel that it must always be "the rate of economic efficiency of the fixed assets." According to this criterion, it is opportune to draw up a program to build heat-producing counter-pressure turbine equipped electrical power stations that use lignite in all the large municipalities and cities in the country. They will substantially reduce the current consumption of hydrocarbons, will

ensure maintaining the specific level of consumption of fuels for the production of electricity at approximately the current level, will contribute to avoiding the pollution of the cities and will make a contribution that is not at all negligible to improving the indicator for "energy consumption per unit of national income."

8724

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MEASURES TO INCREASE LIVESTOCK PRODUCTION

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[Article by Nicolae David: "Priority Aims and Requirements for Increased Livestock Numbers and Production"]

[Text] Because of the role and importance of the products the zootechnical sector supplies the national economy, the extent and quality of its development are indicative of the degree of intensification, modernization and effectiveness of contemporary agriculture. The priority given to development of zootechnology within general agricultural development is the very thrust of our party's and state's agrarian policy, both now and in the next five-year plan especially.

Transition of Romanian zootechnology to a new and radically better quality will be accomplished by two essential methods that are well known but so far inadequately used: (1) increasing the numbers of livestock and improving the structure of these numbers, and (2) increasing the average outputs per foddered animal.

As the documents of the 12th Party Congress specify, the numbers of the main species of livestock will have to reach over 8 million cattle, 14-15 million hogs, 20-22 million sheep and goats, and over 60 million laying poultry by 1985.

A radical leap in increasing the average yields per animal (which must reach 3,500-3,700 liters of cow's milk, 4.6-4.8 kg of wool, and 225-230 eggs in the state sector of agriculture in 1985) is an even more important problem than the increase in numbers. In this area we still have marked lags behind the requirements, the existing conditions and the results of other countries' agriculture. In 1978 on the national total an average milk yield of only 1,908 liters (2,833 liters in state agricultural enterprises and 1,467 liters in agricultural cooperatives) was obtained per foddered cow, a quite unsatisfactory level that has been sharply criticized several times by the party secretary general, Comrade Nicolae Ceausescu.

As the calculations show, if even the present number of milch cows in Romania produced an average yield like that of the state agricultural enterprises, society would benefit by an additional output of more than 24 million hectoliters of milk (115 liters more per capita). This would favorably affect both the supply of the public and the economic effectiveness of the agricultural units. or, as Comrade Nicolae Ceausescu said, a mere 10 percent gain in the average weight upon slaughtering would mean an additional output of 120,000-150,000 tons of meat, improving the supply of the public and increasing the surpluses for export.

Really scientific organization of the process of livestock reproduction is essential both to increasing the numbers and to stimulating the growth of the average yields per animal.

Qualitative Changes in Organization of Livestock Reproduction

Since the process of livestock reproduction is an essential component of the animal husbandry system the agricultural units especially, as well as the other responsible elements in agriculture, should give it a real priority.

The number of young obtained and weaned from a brood female at a birth primarily depends upon reproduction. From this standpoint the growth rate of the number of livestock, the possibilities of selection and improvement, the number of livestock with which the fattening centers can be populated or which can be delivered for slaughter, the quantity of meat obtained annually from a brood female, the regularity of the meat output, etc. are direct or indirect effects of the extent, quality and method of organizing reproduction. Meanwhile the cost of an animal at birth or weaning (a calf, lamb, piglet or 1-day chick) primarily depends upon the fertility of the brood animals and the way the young are maintained in the period from birth to weaning.

It would be a mistake to judge the importance of organizing livestock reproduction solely by the number and cost of the young obtained. It is a peculiarity of the socio-technical sector that economic reproduction is involved with the natural reproduction of the livestock, and technical-organizational defects in natural reproduction adversely affect the economic process of reproduction and the general economic process of the unit as well. Actually, without constant improvement of the natural reproduction of the livestock the reproduction process in zootechnology is disturbed, because females that do not conform to the normal reproductive cycle of the species and breed produce a limited number of young. Production gradually declines, the animals become sterile as well as unproductive and have to be rehabilitated, and large expenditures of feed and other materials are made in relation to the output obtained. Labor productivity falls off, and the maintenance and exploitation of the animals become uneconomic. Results can also be unsatisfactory if too many or too few sires are maintained in a herd in relation to the number of brood females, or if the artificial insemination technology is defective. All this calls for due attention to scientific organization of livestock reproduction in view of the species and category of the livestock, the technology used, the maintenance system, condition of the existing shelters, etc.

In bringing out the need of definite measures for better organization of livestock reproduction, Comrade Nicolae Ceausescu pointed out that the process should be conducted with great competence and by no means left to chance: "The technological process providing for births and attainment of the proper birth rate must be controlled weekly."

Optimal livestock reproduction, a process whose essential features must be integrated in a true system of interdependences and correlations, requires introduction and observance in practice of the following series of measures:

- Planned mounting of all brood females and young reaching the reproduction age;

*I devoted the study published in REVISTA ECONOMICĂ No 33, 1980 to the other basic component, namely livestock feeding.

- Grouping or spacing of the mountings according to species, purpose of breeding, agricultural area, technology used etc.;
- Precise organization of the mountings and maintenance of the pregnant animals, in order to raise the indices of mounting, fertility, gestation, birth and proliferation;
- Every provision to obtain as many young a year as possible from a brood female (to raise the fertility index);
- Interbreeding and industrial crossbreeding in units where the technology does not require pure breeding;
- Very careful breeding of brood young and their rational and efficient use to replace the rejected brood animals, to increase the number of brood animals, or for sales to other units;
- Regular checking of female young and adult females to determine the dates of mounting and rejection as exactly as possible;
- Preparation, by every unit with a zootechnical function, of the plan for mounting and births and strict conformity to its provisions;
- Organization of the information system concerning mountings, gestation diagnosis, births, slaughterings, transfers to other livestock categories, deliveries of livestock, production, selection etc.

Consistent application of all these measures, which are the main content of organized reproduction, can lead only to increased livestock numbers and production and improved economic effectiveness indices in all agricultural units with a zootechnical function.

The qualitative leap necessary in livestock reproduction depends upon proper organization of the special reproduction farms. The directives to organize lying-in facilities on all cow farms are highly important for this purpose. They are to be installed in a part of the barn, and hygienic and servicing measures are to be taken to ensure proper birthing and care of the calves. The brood young will be raised on specialized farms, which will keep the entire number of calves until the first birthing and will not eliminate the unsatisfactory animals until after the first birthing.

The mounting and calving plan must make more allowance than before for correlation between the seasons and the physiological cycles, and most of the births are to take place in spring. Moreover the planning of the mountings and births is to be differentiated according to the agricultural area, the technology used and the local natural and economic conditions. While in the suburban and dairy supply areas births can take place regularly throughout the year, in the other areas they must be directed so that 70-80 percent of them occur in spring, by the month of May. The advantages of spring calvings include a higher birth rate of cows, birth of healthier calves and their more intensive development, lower disease and death rates of calves, better use of the green mass on natural or cultivated pastures, attainment of optimal slaughtering weight at a younger age, greater total quantities of milk (because the peak of the lactation curve coincides with maximum production of green mass), prolonged lactation and higher yields per animal at lower unit costs.

Better Organization of Selection

One way of rapidly increasing livestock numbers and production is to modify the system for selection of the animals by raising the entire number of female young until the mounting age and making the selection only according to the yield obtained in the first cycle. This provides for a greater number of brood females, a greater output of milk and meat, and a broader base for selection of the animals.

The interdependence between milk and meat production is the essential and sometimes contradictory problem in cattle raising. Most breeds of cattle raised throughout the world have a mixed specialization, producing both milk and meat. It may be said that milk production necessarily involves an output of veal and of milk and meat from rejected cows, while meat cannot be produced with as great economic effectiveness as milk can. The figures show the direct correlation between the output of beef and the proportion of cows and heifers in the total number.

The output of veal depends upon the number of calves fattened, the age and weight at which they are slaughtered, and the average daily gain in weight during fattening. The amount of meat from the adult (rejected) cattle depends upon the average slaughtering weight of the animals and the number of adult animals slaughtered annually or, more precisely, the percentage of replacement of the dam and the way the selection is organized.

In Romania the bovine species (maintaining its milk function) is and will be in growing demand to increase meat production. Among other things, this calls for a change in the specialists' views on organization of reproduction and promotion of programs to intensify exploitation of the animals for meat production. For cattle, outside of the methods common to all species (such as increasing the total number, the average daily yield and the average slaughtering weight, industrial crossbreeding, fattening the rejected animals for slaughter, etc.), certain particular methods of great economic significance and urgency are also important, such as:

- Retaining the entire number of female young for reproduction (regardless of their prospects as milk producers) until the first lactation;
- Lowering the average age at the first lactation;
- Leaving an average interval of no more than 365 days between mountings;
- Raising the percentage of annual rejection of cows to 20-25 percent, and using as a main criterion for selection the cows' own performances at first birth in various periods in the first lactation.

Of all these technical-organizational measures, retaining the entire number of female young for reproduction until the first lactation and raising the percentage of annual replacement of cows are the most dynamic and effective.

Retaining the entire number of heifers for reproduction calls for generalized selection of the milk cows according to their own performances in the first or second lactation, that is the interval between birthing and the first mounting, the interval between birthing and the time gestation is diagnosed and the date of conclusion of lactation. Their own performances in milk production are also analyzed (quantitatively and qualitatively), and the final decision is made concerning retaining them on

the farm, selling them to another farm as brood animals, or sending them for slaughtering after the first or second birthing. The higher percentage of annual replacement of the dams serves a twofold purpose: First, the selection is intensified and consequently the dams are improved more rapidly in regard to milk production or mixed production and, second, the adults are slaughtered at an age when the body weight and the quality of the meat are the most effective.

Increasing the proportion of heifers in the number of dams to 25 percent and the index of rejection of adults to 20 percent (compared with the present situation, where only 10 percent of the adults are rejected annually and only the heifers needed to replace the rejects are raised) increases the dams' contribution to beef production by about 2 times (See table).

Amount of Beef To Be Obtained Annually (Per 100 Cows) by Different Selection Systems

2 Explicații	1 Selecție în				6 Sistemul de selecție clasic
	3	4	5	6	
7 Ponderea junăciilor în totalul efectivului de taurine	%	10	25	250	
8 Indicele de reformă la vaci	%	10	20	200	
9 Greutatea totală a vacilor reformate anual	kg	17 500	10 000	200	
10 Indicele anual de naștere	%	80	80	113	
11 Vacile obținute anual	nr.	18	30	143	
12 Greutatea totală a vacilor la naștere	kg	2 300	3 150	113	
13 Vacile reformate după prima fătare	nr.	—	5	—	
14 Greutatea vacilor reformate după prima fătare	kg	—	2 500	—	
15 Total carne obținută în 100 vaci	kg	7 000	13 050	200	
16 Diferența în plus în noua sistem de selecție	kg	—	7 000	—	

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|--|---|
| 1. Selection in | 10. Annual birth rate |
| 2. Explanations | 11. Calves obtained annually |
| 3. Unit of measure | 12. Total weight of calves at birth |
| 4. Traditional system | 13. Cows rejected after first calving |
| 5. New System | 14. Weight of cows rejected after first calving |
| 6. Percentage in new system compared with traditional system | 15. Total meat obtained per 100 cows |
| 7. Proportion of heifers in total number of cattle | 16. Additional difference in new selection system |
| 8. Index of rejection of cows | 17. Kilograms |
| 9. Total weight of cows annually rejected | 18. Number |

Compared with the 7,800 kg of meat on the hoof that can be obtained on the average per 100 cows by the traditional system of selection and reproduction organization, the new system of selection increases the quantity of meat to 15,650 kg. The favorable effect of the new way of organizing selection is not confined to meat production but also enhances milk production by increasing both its total (due to the increased number of cows) and the average yield. The cows are exploited with maximum economic effectiveness up to about the fifth lactation, or until they are 8-9 years old.

In view of the great advantages of the new system of organizing reproduction and selecting the animals, the party and state administrations decided to generalize it. In reference to this problem Comrade Nicolae Ceausescu said, "Neither a heifer [vitea] nor a heifer about to calve [juninca] will be rejected. We shall not make the selection until after a calving, and we shall determine which animals are to be rejected and which remain for reproduction according to the milk yield." And in June 1980 amendments were made to Law No 40 of 1975 on Raising and Fattening Livestock whereby stock breeders were required to retain all heifers and raise them for reproduction and to take all measures to raise the heifers under the best conditions until mounting and to provide for mounting of all heifers with suitable breeds characteristic of the respective area. It is prohibited to slaughter the heifers unless in quite exceptional cases (incurable diseases rendering them unfit for reproduction) and only with the approval of the competent organs.

In a future discussion we shall take up the problems arising in connection with improvement of the livestock breeds in order to increase the livestock numbers and outputs.

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